

**COMMONWEALTH OF VIRGINIA  
VIRGINIA PUBLIC SCHOOL AUTHORITY (VPSA)**

Board of Commissioners Meeting  
Spring Board Meeting – March 17, 2006, 2:30 p.m.  
Treasury Board Conference Room, Third Floor  
James Monroe Building  
101 North 14<sup>th</sup> Street, Richmond Virginia

Members Present: James J. Wheaton, Chairman  
James M. Holland, Vice Chairman  
Hady Amr  
Tammy Esteves, Ph.D.  
J. Braxton Powell  
Dan Timberlake, designee for Patricia Wright

Members Absent: David A. Von Moll  
Brenda L. Skidmore

Others Attending:	Frank Robinson	Sidley Austin LLP
	Matt Hughey	Sidley Austin LLP
	Jay Conrad	BB&T Capital Markets
	Sean Ekiert	BB&T Capital Markets
	Rick Davis	Department of the Treasury
	Michael Walsh	Department of the Treasury
	Connie Vaughan	Department of the Treasury

**Call to Order and Approval of Minutes**

Mr. Wheaton called the meeting to order at 2:30 P.M. He stated the first order of business was to provide an opportunity for any public comment. There being no public comment, Mr. Wheaton asked for a motion for approval of the minutes of the September 8, 2005 Board meeting. Mr. Holland moved to adopt the minutes of the September 8, 2005 meeting as presented; Mr. Amr seconded, and the motion carried unanimously.

**Issuance of VPSA School Financing Bonds (1997 Resolution) Series 2006 A Spring Bonds**

Mr. Walsh reviewed the preliminary financing summary and presented the participant list of applications for the proposed issuance of approximately \$215,240,000 School Financing Bonds (1997 Resolution), Series 2006 A. The total list included projects from ten localities.

Mr. Timberlake arrived at 2:32 P.M.

Mr. Powell moved that the Authority approve the list of applications for the VPSA 2006 A Spring Bonds; Mr. Holland seconded, and the motion carried unanimously.

Mr. Robinson from Sidley Austin LLP, bond counsel, presented Series Resolution No. 06-01 authorizing the issuance of the Series 2006 A Bonds (Attachment A) for the Board. Mr. Powell moved the adoption of Series Resolution No. 06-01; Mr. Timberlake seconded, and the motion carried unanimously.

### **Issuance of VPSA School Educational Technology Notes Series VI**

Ms. Vaughan reviewed the preliminary financing summary for the School Educational Technology Notes Series VI in the projected amount of \$58,702,000.

Mr. Hughey from Sidley Austin LLP, bond counsel, presented the Technology Note Resolution No. 06-02 authorizing the issuance of the Series VI Notes (Attachment B) for the Board. Mr. Holland moved the adoption of Resolution No. 06-02; Ms. Esteves seconded, and the motion carried unanimously.

### **Adoption of Variable Rate Debt Policy**

Mr. Davis directed the Board to the draft variable rate policy that was distributed for review at the Board's last meeting. He stated that, although there were no plans to conduct a variable rate financing at this time, it was recommended that the Board have a policy in effect should market conditions warrant use of variable rate debt in the future. He stated that the draft policy was in the same substance as presented at the last meeting with the exception of a change reflected on page 6, Item 7. Reporting – where it was clarified that reporting to the State Treasurer would pertain only to interest rate swap agreements for any appropriation-supported debt.

Mr. Holland moved to adopt the Variable Rate Debt Policy as amended (Attachment C); Mr. Amr seconded and the motion carried unanimously.

### **Other Business**

### **Results of Sale and Final Financing Summary – Fall 2005 Pooled Bond Sale**

Mr. Walsh provided a summary of the results of the sale of the Virginia Public School Authority School Financing Bonds (1997 Resolution) Series 2005 D, which sold on October 12, 2005 and closed on November 10, 2005.

### **Status of Legislation Concerning Method of Pass Through of Refunding Savings**

Mr. Davis directed the Board to Senate Bill 203 relating to an improved process for the pass-through of bond refunding savings to local participants. He stated it had passed the General Assembly and was awaiting the Governor's approval.

### **Contract for Financial Advisory Services – 1 Year Renewal**

Mr. Davis stated the Board's approval was being requested to renew the Financial Advisor contract with BB&T Capital Markets for up to one year under the terms of the current contract. Mr. Powell moved to direct staff to extend the contract for up to one year; Mr. Amr seconded; Mr. Wheaton abstained, and the motion carried.

### **Adjournment**

There being no further business to be brought before the Board, the Board adjourned at 3:07 P.M.

Respectfully submitted,

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Richard A. Davis  
Assistant Secretary

VIRGINIA PUBLIC SCHOOL AUTHORITY

A SERIES RESOLUTION AUTHORIZING THE ISSUANCE, PURSUANT TO A BOND RESOLUTION ADOPTED OCTOBER 23, 1997, AS AMENDED AND RESTATED, BY THE VIRGINIA PUBLIC SCHOOL AUTHORITY, OF VIRGINIA PUBLIC SCHOOL AUTHORITY SCHOOL FINANCING BONDS (1997 RESOLUTION), FOR THE PURPOSE OF PROVIDING FUNDS FOR THE PURCHASE OF LOCAL SCHOOL BONDS AND FOR REFUNDING FOR DEBT SERVICE SAVINGS A PORTION OF THE AUTHORITY'S OUTSTANDING BONDS AND AUTHORIZING THE OFFICERS OF THE AUTHORITY TO CARRY OUT THE PURPOSES AND INTENT OF THIS RESOLUTION.

**BE IT RESOLVED** by the Board of Commissioners of the Virginia Public School Authority:

Section 1. **Findings.**

(a) **Bond Resolution.** The Virginia Public School Authority (the "Authority") adopted, on October 23, 1997, a resolution entitled:

A RESOLUTION AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF BONDS AND OTHER INDEBTEDNESS OF THE VIRGINIA PUBLIC SCHOOL AUTHORITY, INCLUDING BONDS TO REFUND SUCH BONDS AND OTHER INDEBTEDNESS, FOR THE PURPOSE OF PROVIDING FUNDS FOR THE PURCHASE OF LOCAL SCHOOL BONDS AND, THEREBY, FOR THE MAKING OF LOANS TO COUNTIES, CITIES AND TOWNS FOR PUBLIC SCHOOL PROJECTS; AND SETTING FORTH THE RIGHTS AND REMEDIES OF THE HOLDERS OF SUCH BONDS AND OTHER INDEBTEDNESS.

(as amended and restated on October 5, 1998, the "Bond Resolution" and, together with this Series Resolution, the "Resolution").

(b) **Outstanding Bonds.** The Authority has heretofore issued under the Bond Resolution twenty-four (24) series of Bonds dated, designated and in the principal amount, as follows:

<u>Dated</u>	<u>Designation</u>	<u>Principal Amount</u>
November 1, 1997	School Financing and Refunding Bonds (1997 Resolution) Series 1997-I	\$224,285,000

April 1, 1998	School Financing and Refunding Bonds (1997 Resolution) Series 1998 A	\$130,715,000
November 1, 1998	School Financing Bonds (1997 Resolution) Series 1998 B	\$105,025,000
May 1, 1999	School Financing Bonds (1997 Resolution) Series 1999 A	\$153,040,000
November 1, 1999	School Financing Bonds (1997 Resolution) Series 1999 B	\$91,770,000
May 1, 2000	School Financing Bonds (1997 Resolution) Series 2000 A	\$100,175,000
November 1, 2000	School Financing Bonds (1997 Resolution) Series 2000 B	\$106,200,000
May 1, 2001	School Financing Bonds (1997 Resolution) Series 2001 A	\$153,940,000
November 1, 2001	School Financing Bonds (1997 Resolution) Series 2001 B	\$142,400,000
November 1, 2001	School Financing Bonds (1997 Resolution) Series 2001 C	\$41,500,000
May 1, 2002	School Financing Bonds (1997 Resolution) Series 2002 A	\$111,510,000
November 1, 2002	School Financing Bonds (1997 Resolution) Series 2002 B	\$155,545,000
May 1, 2003	School Financing Bonds (1997 Resolution) Series 2003 A	\$113,155,000
May 1, 2003	School Financing Bonds (1997 Resolution) Series 2003 B	\$74,850,000
November 1, 2003	School Financing Bonds (1997 Resolution) Series 2003 C	\$190,645,000
December 11, 2003	School Financing Bonds (1997 Resolution) Refunding Series 2003 D	\$286,670,000
May 1, 2004	School Financing Bonds (1997 Resolution) Series 2004 A	\$123,585,000
November 1, 2004	School Financing Bonds (1997 Resolution) Series 2004 B	\$145,340,000
December 8, 2004	School Financing Bonds (1997 Resolution) Refunding Series 2004 C	\$156,125,000

December 8, 2004	School Financing Bonds (1997 Resolution) Refunding Series 2004 D (Federally Taxable)	\$3,460,000
March 15, 2005	School Financing Bonds (1997 Resolution) Refunding Series 2005 A	\$55,200,000
April 20, 2005	School Financing Bonds (1997 Resolution) Refunding Series 2005 B	\$230,580,000
May 1, 2005	School Financing Bonds (1997 Resolution) Series 2005 C	\$134,360,000
November 1, 2005	School Financing Bonds (1997 Resolution) Series 2005 D	\$199,345,000

(c) **Bonds to Purchase Local School Bonds.** The Board of Commissioners of the Authority (the “Board”) has determined to authorize the issuance of one or more Series of additional Bonds pursuant to the Bond Resolution to provide funds for the purpose of purchasing Local School Bonds.

(d) **Bonds to Refund Bonds.** The Board has also determined to authorize the issuance of one or more Series of refunding Bonds pursuant to the Bond Resolution to provide funds for the purpose of refunding a portion of its outstanding Bonds, provided that significant debt service savings (within the meaning of Section 5(a) hereof) are achieved. The Board has determined, based on the advice of its Financial Advisor, that under foreseeable market conditions, a portion of the Bonds heretofore issued by the Authority and outstanding under the Resolution which may be refunded to achieve significant debt service savings. Bonds that may be candidates for refunding for significant debt service savings are further described in Exhibit B and are referred to herein collectively as the “Refunding Candidates”.

(e) **Authority for Series Resolution.** This Series Resolution is adopted pursuant to the provisions of Sections 208 and 209 of the Bond Resolution.

## Section 2. **Definitions.**

(a) **Record Date.** The term “Regular Record Date” shall mean with respect to the 2006 Spring Bonds (hereinafter defined) authorized by this Series Resolution the 15th day of the month (whether or not a business day) next preceding each Interest Payment Date.

(b) **Other Terms.** All capitalized terms used but not defined in this Series Resolution shall have the meanings given by the Bond Resolution.

## Section 3. **Authorization of Bonds.**

(a) **Bond Sale Agreements.** The agreement that the Authority will purchase, and that the cities and counties listed in Exhibit A (“2006 Spring Local Issuers”) that are borrowing money from the Authority will sell and issue, their Local School Bonds described in Exhibit A

("2006 Spring Local School Bonds") will be evidenced by Bond Sale Agreements. The form of the Bond Sale Agreement between the Authority and each of the 2006 Spring Local Issuers is hereby approved, and the execution and delivery by an Assistant Treasurer of the Authority, by and on behalf of the Authority, of each Bond Sale Agreement is hereby authorized. By the terms of the Bond Sale Agreements, the Authority will agree, subject to certain conditions, to purchase the 2006 Spring Local School Bonds.

(b) **Continuing Disclosure.** As a condition to the Authority's purchase commitment under the Bond Sale Agreements, each 2006 Spring Local Issuer of 2006 Spring Local School Bonds shall at or prior to closing deliver to the Authority an executed Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") substantially in the form of Appendix F of the Bond Sale Agreement pursuant to which each such 2006 Spring Local Issuer shall undertake primary responsibility for compliance with applicable continuing disclosure requirements as prescribed therein. Notwithstanding any other provision of this Series Resolution, failure of any 2006 Spring Local Issuer to comply with its Continuing Disclosure Agreement shall not be considered an event of default under the Bond Resolution. However, the Authority will, and any holder (as defined in Section 12(b) hereof) of the 2006 Spring Bonds (hereinafter defined) may, consistent with the requirements contained in Section 10 of the Continuing Disclosure Agreement, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause a 2006 Spring Local Issuer to comply with its continuing disclosure obligations under its Continuing Disclosure Agreement.

(c) **Authorization Pursuant to the Bond Resolution.** There are hereby authorized: (i) pursuant to Section 208 of the Bond Resolution, additional Bonds in one or more series for the purpose of providing funds for the purchase of the 2006 Spring Local School Bonds (the "2006 Spring New Money Bonds"), the aggregate principal amount of which shall be adjusted to provide each 2006 Spring Local Issuer, to the fullest extent practicable taking into account, among other things, principles of fairness and prevailing market conditions, a purchase price and a proceeds amount for its Local School Bonds substantially equal to the proceeds it requested, as provided in the related Bond Sale Agreement, and (ii) pursuant to Section 209 of the Bond Resolution, refunding Bonds in one or more series (the "Refunding Bonds" and, together with the 2006 Spring New Money Bonds, the "2006 Spring Bonds") for the purpose of providing funds for the refunding of all or a portion of the Refunding Candidates.

(d) **Certain Details of 2006 Spring Bonds.** The 2006 Spring New Money Bonds authorized in subsection (c) pursuant to Section 208 of the Bond Resolution shall be issued as Current Interest Bonds, shall be dated, shall bear interest payable semi-annually on February 1 and August 1 of each year (the first such Interest Payment Date to be February 1, 2007) and shall have the serial and term (if any) maturities with such principal amounts and with such Amortization Requirements (if any), due on August 1, in such years, not later than 2031, all as subsequently provided in this Series Resolution. Such 2006 Spring New Money Bonds shall be designated "School Financing Bonds (1997 Resolution) Series 2006 \_" (the blank to be completed with an appropriate letter to identify the series). The Refunding Bonds authorized in subsection (c)(ii) pursuant to Section 209 of the Bond Resolution shall be issued as Current Interest Bonds, shall be dated, shall bear interest on such dates and shall have the serial and term (if any) maturities with such principal amounts and with such Amortization Requirements (if

any), due annually or semi-annually on such dates all as determined by the Treasurer or an Assistant Treasurer, as such officer, in consultation with the Authority's Financial Advisor, may deem advisable, all as subsequently provided in this Series Resolution. Such Refunding Bonds shall be designated "School Financing Bonds (1997 Resolution) Refunding Series 2006 \_" (the blank to be completed with an appropriate letter to identify the series).

Interest on any 2006 Spring Bond that is payable on any Interest Payment Date shall be paid by check or draft or by bank wire to the person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such Interest Payment Date.

(e) **Book Entry.** Initially, one bond certificate for each maturity shall be issued to The Depository Trust Company, New York, New York ("DTC"), which is designated as the securities depository for the 2006 Spring Bonds, or its nominee, and immobilized in its custody. So long as DTC is acting as securities depository for the 2006 Spring Bonds, a book-entry system shall be employed, evidencing ownership of the 2006 Spring Bonds in principal amounts of \$5,000 and multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Principal of, premium, if any, and interest on the 2006 Spring Bonds shall be payable in clearinghouse funds to DTC or its nominee as registered owner of the 2006 Spring Bonds. Principal, premium, if any, and interest shall be payable in lawful money of the United States of America by the Bond Registrar. Transfer of principal, premium, if any, and interest payments to participants of DTC shall be the responsibility of DTC. Transfer of principal, premium, if any, and interest payments to beneficial owners shall be the responsibility of such participants and other nominees of beneficial owners. The Authority shall not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as securities depository for the 2006 Spring Bonds, (b) the Authority determines that DTC is incapable of discharging its duties or that continuation with DTC as securities depository is not in the best interest of the Authority, or (c) the Authority determines that continuation of the book-entry system of evidence and transfer of ownership of the 2006 Spring Bonds is not in the best interest of the Authority or the beneficial owners of the 2006 Spring Bonds, the Authority shall discontinue the book-entry system with DTC. If the Authority fails to identify another qualified securities depository to replace DTC, the Authority shall cause the execution and delivery of replacement bonds in the form of fully registered certificates, substantially in the form as set forth in the Bond Resolution with such variations, omissions or insertions that are necessary or desirable in the delivery of replacement certificates, and registration of transfer of the 2006 Spring Bonds shall be permitted. If no qualified securities depository is the registered owner of 2006 Spring Bonds, registration of transfer of 2006 Spring Bonds and exchange of certificates may be effected at the office of the Bond Registrar.

So long as DTC is the securities depository for the 2006 Spring Bonds, it shall be the registered owner of the 2006 Spring Bonds, and references in this resolution to registered owners



or holders of the 2006 Spring Bonds shall mean DTC or its nominee and shall not mean the beneficial owners of the 2006 Spring Bonds.

#### Section 4. **Redemption Provisions.**

(a) **Optional Redemption.** (i) The 2006 Spring New Money Bonds of each Series maturing after August 1, 2016 may be redeemed prior to their respective maturities, at the option of the Authority, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than August 1, 2016, at the Redemption Price of par plus accrued interest to the redemption date.

(ii) The Board hereby delegates to the Treasurer or an Assistant Treasurer (each a "Delegate"), with respect to each Series of the 2006 Spring New Money Bonds, the power to change such optional redemption provisions as such officer, in consultation with the Authority's Financial Advisor, may deem advisable; provided, however, that in any event the 2006 Spring New Money Bonds of each Series shall first become subject to redemption at the option of the Authority within ten and one-half years after their date of issuance and at a redemption price not exceeding 102%.

(iii) A Delegate is hereby authorized, with respect to each Series of the Refunding Bonds, to determine the optional redemption provisions, if any, as such Delegate, in consultation with the Authority's Financial Advisor, may deem advisable, and the Delegate may provide that the Refunding Bonds shall not be subject to optional redemption before their respective maturities.

(iv) Any notice of optional redemption of the 2006 Spring Bonds may state that it is conditioned upon there being available on the redemption date an amount of money sufficient to pay the Redemption Price, consisting of par plus interest accrued and unpaid to the redemption date, and any conditional notice so given may be rescinded at any time to and including the redemption date if such condition so specified is not satisfied. If a redemption does not occur after a conditional notice is given due to an insufficient amount of funds on deposit with the State Treasurer, the corresponding notice of redemption shall be deemed to have been revoked *nunc pro tunc*.

(v) If the Authority gives an unconditional notice of redemption, then on the redemption date the 2006 Spring Bonds called for redemption will become due and payable. If the Authority gives a conditional notice of redemption, and money to pay the Redemption Price of the affected 2006 Spring Bonds shall have been set aside in escrow with the State Treasurer or other Depository for the purpose of paying such 2006 Spring Bonds, then on the redemption date the 2006 Spring Bonds will become due and payable. In either case, if on the redemption date the State Treasurer holds money to pay the 2006 Spring Bonds called for redemption, thereafter, no interest will accrue on those 2006 Spring Bonds, and a Bondholder's right will be to receive payment of the Redemption Price upon surrender of those 2006 Spring Bonds.

(b) **Mandatory Redemption.** The term 2006 Spring Bonds, if any, shall be called for redemption, in part, in the principal amounts equal to the respective Amortization Requirements for such term 2006 Spring Bonds (less the principal amount of any term 2006

Spring Bond retired by purchase and otherwise subject to adjustment as provided in the Bond Resolution) from moneys in the 1997 Sinking Fund at a Redemption Price of par plus accrued interest thereon to the date fixed for redemption on each August 1, or February 1 if they are February 15 maturities, preceding their maturity for which there is an Amortization Requirement.

(c) **In General.** Any such redemption, either in whole or in part, shall be made in the manner and under the terms and conditions provided in the Bond Resolution.

**Section 5. Delegation and Standards.** The Board hereby delegates to a Delegate, subject to the limitations contained herein, the power with respect to each Series of 2006 Spring Bonds to determine and carry out the following:

(a) **Refunding Bonds.** (i) To determine the aggregate principal amount of the Refunding Bonds required for the purpose of refunding the Refunding Candidates selected in accordance with the provisions of subparagraph (ii) of this Section 5(a) to be refunded (the "Refunded Bonds"), such amount to be the amount required to provide for the payment and redemption of the Refunded Bonds and to pay costs of issuance.

(i) To determine which, if any, of the Refunding Candidates, shall be refunded by Refunding Bonds and thus become Refunded Bonds using the following criteria:

based on a determination of the Authority's Financial Advisor in writing, any Bonds which shall achieve an aggregate present value debt service savings equal to at least three percent (3%) of the par amount of the callable Refunded Bonds.

(ii) To determine whether the Refunding Bonds shall be offered and sold via one or more of the following methods: (A) a competitive sale, or (B) a negotiated sale. If the method of sale determined to be utilized is a negotiated sale, a Delegate is hereby authorized to negotiate the sale of the Refunding Bonds to one or more of the underwriters to be selected by the Authority from among the firms comprising the Authority's underwriting team (the "Underwriters"), including, but not limited to, Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Davenport & Company LLC, Loop Capital Markets, LLC, Morgan Keegan & Company, Inc. and Wachovia Bank, National Association and to execute with the Underwriters a Bond Purchase Agreement in substantially the form approved and executed in connection with the Authority's Series 2005 B Bonds, a copy of which has been presented at the meeting at which this Series Resolution is adopted (the "Purchase Contract"), the terms of which Purchase Contract shall not conflict with the provisions of the Resolution;

(iii) To select an Escrow Agent or Agents (hereinafter defined) and a firm of independent accountants to verify the mathematical sufficiency of the proceeds of the Refunding Bonds and other moneys to redeem and pay the Refunded Bonds; and

(iv) To determine any other provisions deemed advisable by a Delegate, not in conflict with the provisions of the Resolution.

(b) **Series of the 2006 Spring New Money Bonds.** To determine whether the 2006 Spring New Money Bonds shall be issued in one or more Series, such determination to be made with the advice of the Authority's Financial Advisor, and to take into account, among other things, principles of fairness in establishing the prices to be paid to the 2006 Spring Local Issuers for their 2006 Spring Local School Bonds;

(c) **Principal Amount of the 2006 Spring New Money Bonds.** To determine the aggregate principal amount of each Series of the 2006 Spring New Money Bonds, such amount, together with other available moneys, to be equal to a sum sufficient (i) to purchase the 2006 Spring Local School Bonds related to such Series, and (ii) to pay costs of issuance allocable to such Series;

(d) **Interest Rates.** To determine the interest rate or rates on each Series of the 2006 Spring Bonds, no such rate to exceed 5.25% per annum;

(e) **Maturities.** To determine the maturities and maturity amounts of each Series of the 2006 Spring Bonds, no maturity to extend beyond August 1, 2031;

(f) **Serial and Term Bonds.** To determine which 2006 Spring Bonds, if any and of which Series, are serial Bonds and which are term Bonds, and the Amortization Requirements therefor;

(g) **Changes in Redemption Provisions.** To determine any changes (permitted by Section 4(a) of this Series Resolution) in the optional redemption provisions for the 2006 Spring New Money Bonds and to fix the optional redemption provisions, if any, of the Refunding Bonds;

(h) **Dated Date.** To determine the dated date or dates of each Series of the 2006 Spring Bonds;

(i) **Date of Sale.** To determine the date or dates of sale of each Series of the 2006 Spring Bonds; provided that if the Refunding Bonds are sold simultaneously with the 2006 Spring New Money Bonds, a Delegate shall make a finding that the arbitrage yield on the 2006 Spring Bonds is not materially lower than the arbitrage yield that would otherwise have been produced on the 2006 Spring New Money Bonds if such yields were to be calculated separately; and

(j) **Other Provisions.** To determine any other provisions deemed advisable by a Delegate and not in conflict with the provisions of the Resolution.

Except as otherwise provided in Section 6(c) with respect only to the Refunding Bonds; the delegation set forth above and in Section 6(c) is further subject to (i) the Financial Advisor's having recommended that the lowest conforming bid or bids to purchase the 2006 Spring Bonds be accepted, (ii) the Delegate to whom the authority to accept the lowest conforming bid has been delegated shall have determined that the bid conforms in all material respects to the requirements of the related Notice of Sale, (iii) the Financial Advisor and such Delegate shall have determined that the bid to be accepted is the lowest bid conforming to the terms of the

related Notice of Sale, (iv) the true interest cost of such bid shall not exceed five and one-half percent (5.50%) per annum, and (v) the Board's not meeting on the date of the sale of 2006 Spring Bonds for the purpose of receiving the bids to purchase the 2006 Spring Bonds.

Delegates exercising authority granted by this Series Resolution shall execute a Certificate or Certificates evidencing determinations or other actions taken pursuant to the authority granted in the Resolution, and any such Certificate shall be conclusive evidence of the action or determination of such Delegate as stated therein.

#### Section 6. **Sale of the 2006 Spring Bonds.**

(a) **Summary Notice of Sale.** The publication in connection with the issuance of each Series of 2006 Spring Bonds to be sold by competitive sale on different dates of a Summary Notice of Sale in *The Bond Buyer*, a financial journal published in New York, New York, and devoted primarily to municipal bonds, in substantially the form presented at the meeting at which this Series Resolution is adopted, is hereby approved and authorized.

(b) **Official Notice of Sale and Electronic Bidding.** The distribution of an Official Notice of Sale for each Series of the 2006 Spring Bonds to be sold by competitive sale on different dates, in substantially the form presented at the meeting at which this Series Resolution is adopted as modified to address the particular circumstances supporting the use of different Series, and the steps to be taken by the Treasurer or an Assistant Treasurer of the Authority to receive electronic bids for each Series of the 2006 Spring Bonds through Parity, are hereby approved and authorized.

(c) **Sale and Award of the Bonds.** (i) A Delegate is hereby authorized to sell the 2006 Spring New Money Bonds of each Series at public sale, by electronic competitive bidding, or other method deemed advisable in consultation with the Financial Advisor to the Authority, on a date or dates determined in consultation with the Financial Advisor to the Authority, but in no event later than June 30, 2006.

(ii) A Delegate is hereby authorized to sell the Refunding Bonds of each Series at a public sale, by electronic competitive bidding or other method deemed advisable in consultation with the Financial Advisor to the Authority on a date determined in consultation with the Financial Advisor when the objectives of the issuance of such Bonds and the criteria set hereby with respect to debt service savings can be met, but in no event later than the date of the next succeeding Board meeting.

(iii) If the 2006 Spring New Money Bonds and the Refunding Bonds shall be sold on the same day, a Delegate shall divide them into separate Series.

(iv) The 2006 Spring Bonds of each Series shall be awarded at a price not less than 99.50% of par. The 2006 Spring Bonds of each Series to be sold at competitive bidding shall be sold to the bidder whose bid for the 2006 Spring Bonds of such Series provides the lowest "true" interest cost rate to the Authority (each a "Purchaser"). Each Purchaser shall be required to submit its good faith deposit in the form of a wire transfer

not later than 12:00 Noon Richmond, Virginia Time on the next Business Day following the award.

(v) If the Refunding Bonds are determined to be sold via a negotiated sale, there is hereby authorized the execution and delivery, pursuant to the provisions of Section 5(a)(iii) hereof, of the Purchase Contract, in substantially the form approved and executed in connection with the Authority's Series 2005 B Bonds, a copy of which has been presented at this meeting, relating to the sale of the Refunding Bonds to the Underwriters.

(vi) A Delegate is hereby authorized to accept an offer of the Underwriters, in the form of the Purchase Contract, pursuant to the provisions of Section 5(a)(iii) hereof, to purchase all of the Refunding Bonds at a purchase price reflecting an underwriting discount, not to exceed 1.00% of the par amount of the Refunding Bonds less any original issue discount.

(d) **Official Statement.** The form of the Preliminary Official Statement (the "Preliminary Official Statement") is hereby approved and the distribution of the Preliminary Official Statement in substantially the form presented at the meeting at which this Series Resolution is adopted, is hereby authorized; except that with respect to the Refunding Bonds, such form of Preliminary Official Statement is hereby approved with such modifications to reflect the issuance of the Refunding Bonds and the refunding of the Refunding Candidates. The use by each Purchaser and/or the Underwriters, as the case may be, for the purpose of making a bona fide public offering of the related Series of the 2006 Spring Bonds, of the final Official Statement, dated the date of the sale and award (the "Official Statement"), in substantially the form of the Preliminary Official Statement, is hereby authorized, and the Chairman or Vice Chairman and the Treasurer or an Assistant Treasurer are hereby authorized by and on behalf of the Authority to deem final the Preliminary Official Statement for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, approve the terms of and publish an Official Statement describing each Series of the 2006 Spring Bonds and sign and deliver an Official Statement to each Purchaser and/or the Underwriters, as the case may be.

(e) **2006 Spring Local School Bond Rates.** The interest rates on each of the 2006 Spring Local School Bonds to be purchased by the Authority shall be 10 basis points (0.10%) above the interest rates on the corresponding maturities of the serial 2006 Spring New Money Bonds and the term 2006 Spring New Money Bonds, if any, of the related Series.

**Section 7. Execution, Authentication and Delivery of the 2006 Spring Bonds.** The 2006 Spring Bonds of each Series shall be executed as authorized by the Bond Resolution and delivered to the Bond Registrar. The Authority hereby authorizes and directs the Bond Registrar to authenticate and deliver the 2006 Spring Bonds of each Series to the related Purchaser and/or Underwriters, as the case may be, in accordance with the provisions of the Resolution but only upon payment to the Treasurer of the Authority of the purchase price of the 2006 Spring Bonds of such Series and the accrued interest thereon, if any.

## **Section 8. Application of Bond Proceeds and Other Funds.**

(a) **Accrued Interest.** The Treasurer of the Authority shall deposit to separate accounts in the 1997 Sinking Fund so much of the proceeds of the 2006 Spring Bonds of each Series as represents accrued interest on the related Series of the 2006 Spring Bonds.

(b) **Deposit to 1997 Purchase Fund.** The Treasurer of the Authority shall deposit to separate accounts in the 1997 Purchase Fund so much of the proceeds of the related Series of the 2006 Spring New Money Bonds required to purchase the 2006 Spring Local School Bonds in accordance with the applicable Bond Sale Agreements approved in Section 3(a) of this Series Resolution.

(c) **Deposit to the Escrow Fund.** The Treasurer of the Authority shall deposit to the Escrow Fund created under the Escrow Deposit Agreement authorized by Section 15(a) so much of the proceeds of each Series of the Refunding Bonds as is required to acquire Defeasance Obligations and make a cash deposit, if any, sufficient to defease the Refunded Bonds.

(d) **Deposit to the General Fund.** For application to the payment of the costs and expenses of the issuance of each Series of 2006 Spring Bonds, the Treasurer of the Authority shall deposit to the General Fund any remaining balance of the proceeds of such Series of the 2006 Spring Bonds.

(e) **Transfers from the General Fund.** For application to the payment of a portion of the interest due on February 1, 2007 on each Series of the 2006 Spring New Money Bonds, the Treasurer of the Authority shall transfer from the General Fund of the Authority and deposit to a related account in the 1997 Sinking Fund an amount up to the amount of the interest to accrue on the related 2006 Spring New Money Bonds during the period commencing January 15, 2007 and ending January 31, 2007 plus \$5,000.

(f) **2006 Spring Local School Bonds to be Held in General Pledge Fund.** The 2006 Spring Local School Bonds purchased with the proceeds of the 2006 Spring New Money Bonds shall be delivered to the Depository of the General Pledge Fund and held in accordance with the provisions of Article IV of the Bond Resolution.

**Section 9. Pledge of 2006 Spring Local School Bonds.** The principal, interest and redemption premium components of all the 2006 Spring Local School Bonds, which are to be held in the General Pledge Fund pursuant to Section 8(e), shall be credited to the 1997 Resolution Pledge Account of the General Pledge Fund. The Authority hereby grants to the holders from time to time of the 2006 Spring Bonds, the outstanding Bonds and any additional Bonds issued and outstanding under the Bond Resolution a security interest in all the principal, interest and redemption premium components credited to the 1997 Resolution Pledge Account.

**Section 10. Redemption or Defeasance of 2006 Spring New Money Bonds for 2006 Spring Local Issuers' Failure to Close.** Unless otherwise directed by the Board, the Authority hereby authorizes and directs the State Treasurer, in accordance with Section 406 of the Bond Resolution, (i) to transfer from the 1997 Purchase Fund, to a special subaccount in the 1997 Sinking Fund, an amount of moneys equal to the aggregate purchase price of any 2006 Spring

Local School Bonds, and, if so directed by the Treasurer or an Assistant Treasurer of the Authority, the investment income allocable thereto, that shall not have been delivered to the Authority within 60 days of the delivery date of the 2006 Spring New Money Bonds and to take the necessary steps to redeem in accordance with Section 4(a) or defease not less than a principal amount of the 2006 Spring New Money Bonds, of the related Series and with maturities corresponding to the maturities of such 2006 Spring Local School Bonds that corresponds to the aggregate amount of such undelivered 2006 Spring Local School Bonds, and (ii) to withdraw from the General Fund of the Authority, if and to the extent necessary, such additional funds as may be required to effect the redemption or defeasance of such principal amount of the 2006 Spring New Money Bonds.

Section 11. **Tax Covenant.** The Authority covenants to take all action, and to refrain from taking any action, necessary under the Internal Revenue Code of 1986, as amended, to ensure that interest on each Series of the 2006 Spring Bonds will remain excludable from gross income for federal income tax purposes to the same extent as it is excludable on the date of closing on the 2006 Spring Bonds.

Section 12. **Continuing Disclosure Undertakings.**

(a) **Purpose.** This continuing disclosure undertaking is being made by the Authority with respect to each Series of 2006 Spring Bonds for the benefit of the holders and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Authority acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Section 12.

(b) **Definitions.** In addition to the definitions elsewhere set forth in this Series Resolution, the following capitalized terms shall have the following meanings:

**“Annual Report”** shall mean any Annual Report provided by the Authority pursuant to, and as described in, subsections (c) and (d) of this Section 12.

**“Dissemination Agent”** shall mean the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by such Authority and which has filed with such Authority a written acceptance of such designation.

**“Fiscal Year”** shall mean the twelve-month period, at the end of which the Authority’s financial position and the results of its operations for the preceding twelve months are determined. Currently the Authority’s Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

**“[H]older”** shall mean, for purposes of this Section 12, any person who is a record owner or beneficial owner of a Bond.

**“Listed Events”** shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule which are as follows:

principal and interest payment delinquencies

non-payment related defaults

unscheduled draws on debt service reserves reflecting financial difficulties

unscheduled draws on credit enhancements reflecting financial difficulties

substitution of credit or liquidity providers, or their failure to perform

adverse tax opinions or events affecting the tax-exempt status of the security

modifications to rights of security holders

bond calls

defeasances

release, substitution, or sale of property securing repayment of the securities

rating changes

**“MOP”** shall mean (i) a Local Issuer that has outstanding Local School Bonds held to the credit of the General Pledge Fund and the principal, interest and redemption premium components on which are credited to the 1997 Resolution Pledge Account in an aggregate principal amount that exceeds 10% of the aggregate principal amount of the Authority’s outstanding Bonds and (ii) the Commonwealth.

**“National Repository”** shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

**“Participating Underwriter”** shall mean any of the original underwriters of the Authority’s 2006 Spring Bonds required to comply with the Rule in connection with the offering of such Bonds.

**“Repository”** shall mean each National Repository and each State Repository.

**“Rule”** shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**“State Repository”** shall mean any public or private depository or entity designated by the State as a state depository for the purpose of the Rule.

**“Undertaking”** shall mean the continuing disclosure undertaking assumed by the Authority in this Section 12.

**(c) Provision of Annual Reports; Audited Financial Statements.**

(i) Not later than 10 months after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2006, the Authority shall, or shall cause the



Dissemination Agent (if different from the Authority) to, provide to each Repository an Annual Report which is consistent with the requirements of subsection (d) of this Section 12. Not later than 10 days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if applicable). In each case, the Annual Report (A) may be submitted as a single document or as separate documents comprising a package, (B) may cross-reference other information as provided in subsection (d) of this Section 12, and (C) shall include such financial statements as may be required by the Rule.

(ii) The annual financial statements of the Authority shall be prepared on the basis of generally accepted accounting principles and will be audited by either the Auditor of Public Accounts or a firm of independent certified public accountants. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with the Repositories when they become publicly available.

(iii) If the Authority fails to provide an Annual Report to the Repositories by the date required in clause (i), or to file its audited annual financial statements when available as described in clause (ii), the Authority shall send an appropriate notice to the Municipal Securities Rulemaking Board and any State Repository in substantially the form attached hereto as Exhibit B.

(d) **Content of Annual Reports.** Each Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, the following information, all with a view toward assisting Participating Underwriters in complying with the Rule:

(i) Updated information showing the expected "Income Available to Pay Debt Service" as of the date of issuance of the most recent Series of Bonds issued during the period beginning July 1 and ending on the date of the Annual Report. In the event no Bonds were issued during the aforementioned time period, the updated information shall be as of the end of the preceding Fiscal Year.

(ii) Updated information showing the names of the Local Issuers and the principal amount of their Local School Bonds held in the General Pledge Fund and the principal, interest and redemption premium of which are credited to the 1997 Resolution Pledge Account and an updated list showing the names of the Local Issuers who are MOPs as of the end of the preceding Fiscal Year, who have ceased to be MOPs during the preceding Fiscal Year and who were MOPs as of the date of issuance of the most recent Series of Bonds issued during the period beginning July 1 and ending on the date of the Annual Report. In the event no Bonds were issued during the aforementioned time period, the updated information shall be as of the end of the preceding Fiscal Year.

(iii) A summary of receipts and disbursements for the Literary Fund for the preceding Fiscal Year.

(iv) A summary of information respecting appropriations made by the Virginia General Assembly from the Literary Fund for the current biennium.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Authority, which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so incorporated by reference.

(e) **Reporting of Listed Events.** The Authority will provide in a timely manner to the Municipal Securities Rulemaking Board and to each State Repository, if any, notice of any of the Listed Events with respect to the 2006 Spring Bonds, if material. The Authority does not undertake to provide the above-described notice in the event of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the Official Statement, (ii) the only open issue is which 2006 Spring Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the Bond Resolution, and (iv) public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts may be reduced by prior optional redemptions or Bond purchases.

(f) **Alternative Filing.** The Authority may, in lieu of filing with the Repositories and each State Repository the Annual Reports and other notices referred to in sections (c)(i) and (ii) and (e), make such filings with DisclosureUSA, the central post office of the Municipal Advisory Council of Texas.

(g) **Dissemination Agent.** The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its Undertaking and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Authority shall be the Dissemination Agent.

(h) **Amendment.** Notwithstanding any other provision of the Bond Resolution, the Authority may amend its Undertaking as set forth in this Section 12 if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws to the effect that such amendment is permitted or required by the Rule.

(i) **Additional Information.** Nothing in this Section 12 shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Section 12 or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Section 12. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Section 12, the Authority shall have no obligation under this Section 12 to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

(j) **Default.** Any of the persons referred to in subsection (k) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to file its Annual Report or to give notice of a Listed Event. In addition, holders of not less than a majority in aggregate principal amount of any Series of the

2006 Spring Bonds outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Continuing Disclosure Undertaking, or to enforce any other obligation of the Authority hereunder. A default under this Section 12 shall not be deemed an event of default under the Bond Resolution or the 2006 Spring Bonds, and the sole remedy under this Section 12 in the event of any failure of the Authority to comply with its Undertaking shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

(k) **Beneficiaries.** This Undertaking shall inure solely to the benefit of the Authority, the Participating Underwriters, and holders from time to time of the Authority's 2006 Spring Bonds, and shall create no rights in any other person or entity.

(l) **Obligated Persons.** The Authority has determined that the Commonwealth is an "obligated person", within the meaning of the Rule, that is or may be material to the 2006 Spring Bonds, as evidenced by its inclusion in the definition of MOP. In addition, the Authority has established in the definition of a MOP the objective criteria that it will apply consistently, on a continuing basis, in determining whether a particular Local Issuer is an "obligated person", within the meaning of the Rule, that is or may be material to the 2006 Spring Bonds. The Authority covenants that it will require each Local Issuer that is or may become a MOP to execute and deliver to the Authority an undertaking by which the Local Issuer will agree that if it becomes a MOP, it will, so long as it remains a MOP, file annually the financial information, operating data, and financial statements, and provide notices of Listed Events with respect to its bonds held in the General Pledge Fund and credited to the 1997 Resolution Pledge Account if material, as required by the Rule.

(m) **Termination.** The obligations of the Authority pursuant to its Undertaking with respect to the 2006 Spring Bonds shall terminate upon the earlier to occur of the legal defeasance or final retirement of the 2006 Spring Bonds.

**Section 13. Other Amendments.** In addition to the amendments authorized by Section 12(h) above, the Authority may, prior to the delivery of the 2006 Spring Bonds, amend its Undertaking to reflect any changes thereto requested by the Participating Underwriters or otherwise deemed by the Treasurer of the Authority to be in the best interests of the Authority and not inconsistent with the Rule, and Section 12 shall be deemed amended to the extent of any such amendments without further action by the Board of Commissioners of the Authority, anything in this Section 13 or in the Bond Resolution to the contrary notwithstanding.

**Section 14. Appointments.** The Board hereby makes the following appointments under the Resolution in connection with the custody and investment of the proceeds and the registration of the Bonds:

(a) **Bond Registrar.** The State Treasurer is hereby appointed Bond Registrar for each series of the Bonds, provided that the Board may appoint a substitute therefor.

(b) **Depository.** The Depository, at the time being, currently Wachovia Bank, National Association, of the State Non-Arbitrage Program under the Depository Agreement with

the Treasury Board, and its successors and assigns, is hereby appointed Depository under the Proceeds Agreement (hereinafter mentioned) for any Individual Portfolio (as therein defined). The State Treasurer is hereby appointed the Depository of the General Pledge Fund and the 1997 Resolution Pledge Account.

(c) **Paying Agent.** The State Treasurer is hereby appointed Paying Agent for each series of the 2006 Spring Bonds, provided that the Board may appoint a substitute therefor.

(d) **Investment Manager.** The Investment Manager, at the time being, currently PFM Asset Management LLC, of the State Non-Arbitrage Program, and its successors and assigns, is hereby appointed Investment Manager under the Proceeds Agreement defined below.

(e) **Proceeds Agreement.** The form of the Proceeds Agreement, to be dated the date of delivery of the 2006 Spring New Money Bonds (the "Proceeds Agreement"), by and among the Authority, the Depository, the Investment Manager, and the localities therein named, providing for the custody, investment in the State Non-Arbitrage Program and disbursement of the proceeds credited to the 1997 Purchase Fund, is hereby approved, and the execution and delivery of the Proceeds Agreement by and on behalf of the Authority by the Treasurer or an Assistant Treasurer of the Authority is hereby authorized. The approval by the Board of the form of the Proceeds Agreement shall be deemed to be of the form of instrument presented to the Board at the meeting at which this Resolution was approved, and to extend to such changes and additions to and omissions from such form as the officers of the Authority executing the same shall approve as not being inconsistent with the purposes and intent of the Resolution, their execution and delivery of such instrument being conclusive evidence of their approval of such changes, additions and omissions.

#### Section 15. **Miscellaneous.**

(a) A Delegate is hereby authorized to execute and deliver an Escrow Deposit Agreement. Defeasance Obligations and any cash in the amounts required are to be credited to the Escrow Fund created under such Agreement and applied to the payment and redemption of the Refunded Bonds in accordance with its terms. The Board hereby authorizes the Escrow Agent to submit a subscription for purchase and issue of United States Treasury Securities – State and Local Government Series or, alternatively, the Delegate, with the advice of the Financial Advisor, to obtain not less than three bids for a portfolio of Defeasance Securities. If the Delegate shall determine that the same shall improve the efficiency of the Escrow Fund created under the Escrow Agreement, the delegate is further authorized to enter into agreements and give instructions for the purchase of Defeasance Securities for periods when the moneys credited to the Escrow Fund would otherwise be uninvested.

(b) **Form of Instruments.** The approval by the Board of the forms of the Preliminary Official Statement, the Official Notice of Sale, the Summary Notice of Sale and the Bond Sale Agreements shall be deemed to be of the forms of such instruments presented to the Board and to extend to such minor changes and additions to and omissions from such forms as the officers of the Authority executing the same shall approve as not being inconsistent with the purposes and intent of the Resolution, their execution and delivery of such instruments being conclusive evidence of their approval of such changes, additions and omissions. Copies of the

forms of the Preliminary Official Statement, the Official Notice of Sale, the Summary Notice of Sale, and the Bond Sale Agreements shall be deposited in the official records of the Authority with the minutes of the meeting at which they were approved.

(c) **Further Actions.** The officers and staff of the Authority, the Bond Registrar, the Depository, the Investment Manager, the Paying Agent and the State Treasurer are hereby requested and authorized to take such further actions as may be required to implement the purposes and intent of the Resolution. In particular, a Delegate is authorized to take such action as shall be necessary or appropriate to obtain a rating or ratings for the 2006 Spring Bonds from any nationally recognized rating service or services. The Delegate is further authorized to obtain the services of a qualified bank or trust company to serve as escrow agent under the Escrow Deposit Agreement and of an independent accounting firm to provide verification and yield computations with respect to the sufficiency of the Escrow Fund and the yield on the Refunding Bonds and the Defeasance Obligations in the Escrow Fund.

Section 16. **Effective Date.** This Series Resolution shall take effect immediately upon its adoption.

Section 17. **Inconsistent Provisions.** In the event of a conflict or inconsistency between this Series Resolution and any other document, the provisions of this Series Resolution shall control.

Adopted: March 17, 2006

A Copy - Teste:

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Assistant Secretary,  
Virginia Public School Authority

## EXHIBIT A

### THE 2006 SPRING LOCAL ISSUERS AND 2006 SPRING LOCAL SCHOOL BONDS

2006 Spring Local Issuers	Proceeds Requested/Principal Amount of 2006 Spring Local School Bonds Being Purchased <sup>1</sup>
Botetourt County	\$17,265,000
City of Chesapeake	18,000,000
City of Falls Church	2,000,000
Frederick County	6,530,000
Goochland County	15,000,000
Halifax County	37,500,000
Loudoun County	15,000,000
Prince Edward County	1,000,000
Prince William County	63,835,000
Stafford County	41,700,000

<sup>1</sup> Subject to adjustment of application amount prior to execution of Bond Sale Agreements. The principal amount is subject to adjustment on the date of sale of the 2006 Spring New Money Bonds to generate an amount of proceeds for the respective 2006 Spring Local Issuers substantially equal to the application amount of proceeds requested by such 2006 Spring Local Issuers.

## **EXHIBIT B**

### **1997 Resolution Refunding Candidates:**

Any portion of the outstanding 1997 Resolution Bonds which shall achieve the aggregate present value debt service savings equal to at least 3.00% of the par amount of the Refunded Bonds.



**EXHIBIT C**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT  
[AUDITED ANNUAL FINANCIAL STATEMENTS]**

**VIRGINIA PUBLIC SCHOOL AUTHORITY**  
School Financing Bonds (1997 Resolution)  
Series 2006 \_

CUSIP NO. \_\_\_\_\_

Dated: May 1, 2006

NOTICE IS HEREBY GIVEN that the Virginia Public School Authority has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 12 of the Series Resolution which was adopted on March 17, 2006, by the Board of Commissioners of the Virginia Public School Authority and which authorized the bonds described above. [The Authority anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by \_\_\_\_\_.]

Dated:\_\_\_\_\_

**VIRGINIA PUBLIC SCHOOL AUTHORITY**

By: \_\_\_\_\_

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**VIRGINIA PUBLIC SCHOOL AUTHORITY**

**SCHOOL EDUCATIONAL TECHNOLOGY NOTE RESOLUTION 06-02**

**ADOPTED ON MARCH 17, 2006**

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**AUTHORIZING AND SECURING  
SCHOOL EDUCATIONAL TECHNOLOGY NOTES  
SERIES VI**

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## **VIRGINIA PUBLIC SCHOOL AUTHORITY**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF SCHOOL EDUCATIONAL TECHNOLOGY NOTES SERIES VI OF THE VIRGINIA PUBLIC SCHOOL AUTHORITY FOR THE PURPOSE OF PROVIDING FUNDS FOR MAKING GRANTS TO LOCAL SCHOOL BOARDS AND OTHER ELIGIBLE SCHOOLS FOR CAPITAL SCHOOL PROJECTS TO ESTABLISH A COMPUTER-BASED INSTRUCTIONAL AND TESTING SYSTEM FOR THE STANDARDS OF LEARNING (SOL) AND TO DEVELOP THE CAPABILITY FOR HIGH SPEED INTERNET CONNECTIVITY AT HIGH SCHOOLS FOLLOWED BY MIDDLE SCHOOLS FOLLOWED BY ELEMENTARY SCHOOLS AND SUCH OTHER EDUCATIONAL TECHNOLOGY GRANT PURPOSES THAT THE GENERAL ASSEMBLY MAY SUBSEQUENTLY IDENTIFY IN AN APPROPRIATION ACT**

**WHEREAS**, the Virginia Public School Authority (hereinafter sometimes called the “Authority”) was duly created under and pursuant to Chapter 194 of the Acts of Assembly of Virginia of 1962 (as presently codified and amended, being Sections 22.1-162 through 22.1-175, inclusive, of Chapter 11, Title 22.1, Code of Virginia, 1950, and hereinafter sometimes called the “Enabling Act”) as a public body corporate and an agency and instrumentality of the Commonwealth of Virginia (hereinafter sometimes called the “Commonwealth”), and the Board of Commissioners of the Authority (hereinafter sometimes called the “Board”), created by the Enabling Act, is the governing body of the Authority; and

**WHEREAS**, by virtue of the Enabling Act, the Authority is authorized and empowered:

(a) to manage and administer as provided in the Enabling Act all moneys or obligations that may be set aside and transferred to the Authority from the principal of the Literary Fund (hereinafter mentioned) by the General Assembly of Virginia for public school purposes pursuant to Article VIII, §8 of the Constitution of Virginia, and

(b) to make grants of money, from any funds of the Authority available for such purpose, to local school boards for the purchase of capital projects for school purposes, including the acquisition and installation of educational technology equipment, pursuant to Section 22.1-166.2 of the Enabling Act, and

(c) to provide by resolution, at one time or from time to time, for the issuance of bonds of the Authority in such amount or amounts as the Board shall determine, payable solely from funds of the Authority, including, but without limitation, (i) any funds authorized by the General Assembly of the Commonwealth from the Literary Fund or otherwise appropriated by the General Assembly to pay debt service on the Notes, and (ii) any moneys appropriated for the purpose to the Authority from the General Fund, and

(d) to issue notes and other obligations for any of its purposes in such form as may be authorized by resolution of the Authority, subject to the same provisions, where applicable, as govern the issuance of bonds of the Authority; and

**WHEREAS**, the Board has determined that it is in the best interests of the Authority and of the Commonwealth to adopt this resolution to provide for the issuance of notes of the Authority, designated School Educational Technology Notes Series VI, to provide funds for the purpose of making grants to school divisions of various cities, counties and towns in the Commonwealth and other eligible schools as contemplated by Item 146(C)(9)(g) of Chapter 951 of the 2005 Virginia Acts of Assembly, as it may be amended (the “Appropriation Act”), for the purpose of establishing a computer-based instructional and testing system for the Standards of Learning (SOL) and to develop the capability for high speed Internet connectivity at high schools followed by middle schools followed by elementary schools and otherwise carrying out the purposes contemplated by Item 146(C)(9)(g) of the Appropriation Act, as amended, and such other educational technology grant purposes that the General Assembly may subsequently identify in an appropriation act; now, therefore,

**BE IT RESOLVED** by the Board of Commissioners of the Virginia Public School Authority:

## **ARTICLE I**

### **DEFINITIONS AND RULES OF CONSTRUCTION.**

#### **SECTION 101. Definitions.**

In addition to words and terms elsewhere defined in this Resolution, the following words and terms as used in this Resolution shall have the following meanings, unless some other meaning is plainly intended:

The term “**amortized cost**”, when used with respect to an obligation purchased at a premium above or at a discount below par, shall mean, as of any subsequent date of valuation, the value obtained by dividing the total premium or discount by the number of days remaining to maturity on any such obligation at the time of such purchase and by multiplying the amount so calculated by the number of days having passed since the date of purchase and (i) in the case of an obligation purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount, by adding the product thus obtained to the purchase price.

The word “**Authority**” shall mean the Virginia Public School Authority, duly created as a public body corporate and an agency and instrumentality of the Commonwealth, and its successors.

The word “**Board**” shall mean the Board of Commissioners of the Authority.

The term **“Business Day”** shall mean any day on which the New York Stock Exchange is open other than a Saturday or Sunday and other than a day on which commercial banks (including the Note Registrar and any Paying Agent) are authorized to close in the Commonwealth or in the City and State of New York or in any other jurisdiction specified in the Resolution.

The word **“Chairman”** shall mean the Chairman of the Authority, the Vice-Chairman of the Authority, or any chairman designated pro tempore by the Board.

The word **“Closing”** shall mean the date on which Notes are delivered against payment therefor.

The word **“Commonwealth”** shall mean the Commonwealth of Virginia.

The term **“Defaulted Interest”** shall mean Defaulted Interest as defined in Section 203 hereof.

The term **“Defeasance Obligations”** shall mean Government Obligations and the obligations described in clause (a)(ii) of the definition of “Investment Obligations.”

The word **“Depository”** shall mean one or more other banks or trust companies duly authorized to engage in the banking business and meeting the requirements of Section 1202 hereof and designated by resolution of the Authority or by the State Treasurer as a depository of moneys under the provisions of this Resolution.

The term **“Educational Technology Series VI Note Fund”** shall mean the Virginia Public School Authority Educational Technology Series VI Note Fund, a special fund created and designated by Section 501 of this Resolution.

The term **“Educational Technology Series VI Grant Fund”** shall mean the Virginia Public School Authority Educational Technology Series VI Grant Fund, a special fund created and designated by Section 401 of this Resolution.

The term **“Enabling Act”** shall mean Chapter 194 of the Acts of Assembly of Virginia of 1962, as amended (being Sections 22.1-162 through 22.1-175, inclusive, of Chapter 11, Title 22.1, Code of Virginia, 1950, as amended).

The term **“Government Obligations”** shall mean direct obligations of, or obligations the timely payment of the principal of and the interest on which is unconditionally guaranteed by, the United States of America, Interest Components of Resolution Funding Corporation Notes, and, if permitted by law, evidences of indirect ownership of such obligations.

The term **“Interest Payment Date”** shall mean each April 15 or October 15, as the case may be specified in the Series Certificate.



The term “**Investment Obligations**” shall mean, to the extent permitted by law:

(a) (i) Government Obligations, and (ii) obligations of state or local government municipal bond issuers, (A) provision for the payment of the principal of and interest on which shall have been made by deposit with an escrow agent or trustee of non-callable Government Obligations the principal of and interest on which when due will be sufficient to pay the principal of and interest on such state or local government municipal obligations when due and (B) which state or local government municipal obligations by their terms or pursuant to an irrevocable determination by the issuer thereof are not subject to redemption other than on a date determined at the time such provision for payment was made and (iii) bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal Farm Credit Banks, Federal Home Loan Banks, Export-Import Bank of the United States, United States Postal Service, the Federal Home Loan Mortgage Association, the Federal Housing Administration, the Farmers Home Administration, the Government National Mortgage Association, or by any other agency controlled by or supervised by and acting as an instrumentality of the United States Government;

(b) any repurchase agreement that is with (i) a bank or trust company (including any Depository, Note Registrar, Paying Agent and their affiliates), or (ii) a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, in both cases for obligations described in (a) above having over the term of the repurchase agreement a fair market value equal to at least 100% of the amount of the repurchase obligation of the bank, trust company or dealer, provided, however, that such obligations purchased must be transferred to the Authority, a Depository or a third party agent of the Authority or such Depository by physical delivery or by an entry made on the records of the issuer of such obligations; any investment in a repurchase agreement shall be considered to mature on the date the bank or trust company or dealer providing the repurchase agreement is obligated to repurchase the Investment Obligations;

(c) certificates of deposit issued by, and time deposits in, any bank or savings and loan association organized under the laws of the Commonwealth, any other state of the United States or the United States, including any Depository, any Paying Agent, any Credit Bank and any Note Registrar; provided that such certificates of deposit or time deposits are (a) insured by the Federal Deposit Insurance Corporation or (ii) to the extent not so insured, collateralized, in the manner required and to the full extent permitted by the Virginia Security for Public Deposits Act (Chapter 44, Title 2.2, Code of Virginia, 1950, as amended), such collateral to be held by the Authority or a Depository or a third party acting solely as agent for the Authority or a Depository;

(d) banker's acceptances drawn on and accepted by commercial banks (which may include any Note Registrar, any Depository, any Credit Provider and any Paying Agent) having a combined capital, surplus and undivided profits of at least \$100,000,000;

(e) commercial paper rated in the highest rating category by Moody's and S&P (without regard to numerical or other gradations or refinements such as "plus" or "minus");

(f) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by a bond insurance company the bonds insured by which are rated by Fitch, Moody's and S&P or any two of them if such obligations are unrated by the third in one of the two highest rating categories (without regard to numerical or other gradations or refinements such as "plus" and "minus");

(g) obligations of state or local government municipal bond issuers that are rated by Fitch, Moody's and S&P or any two of them if such obligations are unrated by the third in one of the two highest rating categories (without regard to numerical or other gradations or refinements such as "plus" and "minus");

(h) investments in the State Non-Arbitrage Program; and

(i) any other obligations that constitute legal investments, at the time being, for instrumentalities of the Commonwealth such as the Authority.

Any investment in Investment Obligations described above may be made in the form of an entry made on the records of the issuer of such Investment Obligation.

The word "**newspaper**" shall mean a newspaper regularly published in the English language on at least one Business Day in each calendar week.

The word "**Noteholder**" shall mean an owner.

The term "**Note Registrar**" shall mean the State Treasurer unless some other entity shall be designated as such by the Authority and performing the duties set forth in this Resolution.

The word "**Notes**" shall mean the notes issued under the provisions of Section 208 of this Resolution.

The word "**outstanding**" shall mean with respect to Notes all Notes that have been authenticated and delivered by a Note Registrar under this Resolution, except:

(i) Notes paid or redeemed or delivered to or acquired by the Note Registrar for cancellation;

(ii) Notes, or principal or interest components thereof, for which a Paying Agent or the Note Registrar or any Depository or the State Treasurer shall hold sufficient moneys or non-callable Defeasance Obligations the principal of and the interest on which, when due and payable, will provide sufficient moneys to pay the principal of, and

the interest on, such Notes, or such principal or interest components, as the case may be, to their maturity date or dates or dates fixed for redemption; and

(iii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered under this Resolution;

provided, however, that in determining whether the owners of the requisite principal amount of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Authority or other obligor on the Notes shall be disregarded and deemed not to be outstanding, except that in determining whether the Note Registrar shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that the Note Registrar knows to be so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Note Registrar the pledgee's right so to act with respect to such Notes and that the pledgee is not the Authority or other obligor on the Notes.

The word **"owner"** shall mean a person in whose name a Note (or one or more Predecessor Notes) is registered on the registration books provided for in Section 206 of this Resolution.

The term **"Paying Agent"** shall mean the State Treasurer and/or any other entity designated as such by the Authority and performing the duties set forth in this Resolution.

The word **"person"** shall mean and include an association, unincorporated organization, a corporation, a partnership, a joint venture, a business trust, or a government or an agency or a political subdivision thereof, or any other public or private entity, or a natural person.

The term **"Predecessor Notes"** shall mean with respect to any particular Note every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note. For purposes of this definition, any Note authenticated and delivered under Section 211 of this Resolution in lieu of a mutilated, destroyed, stolen or lost Note shall be deemed to evidence the same debt as the mutilated, destroyed, stolen or lost Note.

The term **"Principal Payment Date"** shall mean April 15 in each of the years 2007 through 2011.

The word **"Purchasers"** shall mean the person or persons identified as such by the Series Certificate of the Authority.

The term **"Regular Record Date"** shall mean, with respect to the Notes authorized by this Resolution, the last day of the month (whether or not a business day) next preceding each Interest Payment Date.

The word **“Resolution”** shall mean this Educational Technology Note Resolution, together with all resolutions supplementing or amending this Educational Technology Note Resolution as herein permitted.

The word **“Secretary”** shall mean the Secretary of the Authority or any Assistant Secretary.

The term **“Series Certificate”** shall mean a certificate of the Authority, supplemental to this Note Resolution, fixing terms, conditions and other details of the Notes in accordance with the provisions of Sections 208 and 209 hereof.

The term **“Special Record Date”** shall mean a date fixed by the Note Registrar pursuant to Section 203 of this Resolution for the payment of any Defaulted Interest on Notes.

#### **SECTION 102. Rules of Construction.**

(a) Words of the feminine gender shall be deemed and construed to include correlative words of the masculine and neuter genders. Unless the context shall otherwise indicate, the words “note”, “owner”, “noteholder”, “holder” and “person” shall include the plural as well as the singular number; and the word “holder” or “noteholder” or “owner” when used herein with respect to Notes issued hereunder shall mean the registered owner of Notes at the time issued and outstanding hereunder.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) Where the character or amount of any asset, liability of term or income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purpose hereof or for the purpose of any document, affidavit or certificate to be executed and delivered in accordance with or pursuant to this Resolution, the same shall be done in accordance with generally accepted accounting principles; provided, however, that whenever the context makes clear that the requirement is that cash, or its equivalent, be available to pay Notes, computations regarding such requirement shall be computed on a cash, and not on a generally accepted accounting, basis.

**ARTICLE II**  
**FORM, EXECUTION, AUTHENTICATION, DELIVERY,**  
**REGISTRATION AND AUTHORIZATION OF NOTES.**

**SECTION 201. Limitation on Issuance of Notes.**

No Notes may be issued under the provisions of this Resolution except in accordance with the provisions of this Article.

**SECTION 202. Form of Notes.**

The definitive Notes are issuable in fully registered form in the denomination of \$5,000 or any whole multiple thereof. The definitive Notes issued under the provisions of this Article shall be designated "School Educational Technology Notes Series VI" and shall be substantially in the form set forth in Exhibit A hereto, with such appropriate variations, omissions and insertions as are required or permitted by this Resolution. All Notes may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or of any securities exchange on which the Notes may be listed or any usage or requirement of law with respect thereto.

**SECTION 203. Details, Execution and Payment of Notes.**

Each Note shall bear interest, payable semiannually to the respective maturities of the Notes on April 15 and October 15 in each year, from the Interest Payment Date next preceding the date on which it is authenticated, unless it is authenticated (a) on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or (b) prior to the first Interest Payment Date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication of any Note interest is in default, such Note shall bear interest from the date to which interest shall have been paid.

The Notes shall bear the manual or facsimile signatures of the Chairman and the Secretary, but it shall not be necessary that the same officer execute all of the Notes that may be issued hereunder at any one time, and the official seal shall be impressed, or a facsimile thereof shall be imprinted, on the Notes.

In case any officer whose signature or facsimile shall appear on any Notes shall cease to be such officer before the delivery of such Notes, such signature or facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery, and also any Note may be signed by such persons as at the actual time of the execution of such Note shall be the proper officers to sign such Note although at the date of such Note such persons may not have been such officers.

Both the principal of and the interest on the Notes shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The principal of all Notes shall be payable at the principal corporate trust office of the Note Registrar upon the presentation and surrender of such Notes as the same shall become due and payable.

Interest on any Note that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid by check or draft to the person in whose name that Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such Interest Payment Date.

Any interest on any Note that is payable but is not punctually paid or duly provided for on any Interest Payment Date (hereinafter sometimes called "Defaulted Interest") shall forthwith cease to be payable to the owner as of the relevant Regular Record Date solely by virtue of such owner's having been such owner on such Date; and such Defaulted Interest may be paid by the Authority, at its election in each case, as provided in subparagraph A or B below:

(a) The Authority may elect to make payment of any Defaulted Interest on the Notes to the persons in whose names such Notes are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed in the following manner. The Authority shall notify the Note Registrar and any Paying Agent, in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment (which date shall be a date that will enable the Note Registrar or Paying Agent to comply with the next sentence hereof), and at the same time the Authority shall deposit or cause to be deposited with the Note Registrar an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Note Registrar for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this subparagraph provided. Thereupon, the Note Registrar shall fix a Special Record Date for the payment of such Defaulted Interest that shall be not more than fifteen (15) days nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Note Registrar of the notice of the proposed payment. The Note Registrar shall promptly notify the Authority and the Paying Agent of such Special Record Date, and the Note Registrar, in the name and at the expense of the Authority, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class mail, postage prepaid, to each owner, at his address as it appears in the registration books maintained under Section 206 of this Resolution, not less than 10 days prior to such Special Record Date. The Note Registrar may, in its discretion, in the name and at the expense of the Authority, cause a similar notice to be published at least once in a financial newspaper distributed in the Borough of Manhattan, City and State of New York, and a newspaper of general circulation in the City of Richmond, Virginia, but neither of such publications shall be a condition precedent to the establishment of such

Special Record Date or to the payment of Defaulted Interest. Notice of the proposed payment of such Defaulted Interest and of the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Notes (or their respective Predecessor Notes) are registered on such Special Record Date and shall no longer be payable pursuant to the following subparagraph B.

B. The Authority may make payment of any Defaulted Interest on the Notes in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Notes may be listed and upon such notice as may be required by such exchange, if, after notice given by the Authority to the Note Registrar and any Paying Agent of the proposed payment pursuant to this subparagraph, such payment shall be deemed practicable by the Note Registrar.

Subject to the foregoing provisions of this Section 203, each Note delivered under this Resolution upon transfer of or in exchange for or in lieu of any other Note shall carry all the rights to interest accrued and unpaid, and to accrue, that were carried by such other Note, and each such Note shall bear interest from a date such that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

#### **SECTION 204. Authentication of Notes.**

Only such of the Notes as shall have endorsed thereon a certificate of authentication, substantially in the form set forth in Exhibit A, duly executed by the Note Registrar shall be entitled to any benefit or security under this Resolution. No Note shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Note Registrar, and such certificate of the Note Registrar upon any such Note shall be conclusive evidence that such Note has been duly authenticated and delivered under this Resolution. The Note Registrar's certificate of authentication on any Note shall be deemed to have been duly executed if signed by an authorized officer of the Note Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Notes that may be issued hereunder at any one time.

#### **SECTION 205. Exchange of Notes.**

Unless otherwise provided in the Resolution, Notes, upon surrender thereof at the principal corporate trust office of the Note Registrar, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Note Registrar, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Notes of the same maturity, of any denomination or denominations authorized by this Resolution, and bearing interest at the same rate as the Notes surrendered for exchange.

The Authority shall make provision for the exchange of Notes at the principal corporate trust office of the Note Registrar.

## **SECTION 206. Registration of Transfer.**

Except as otherwise provided, the Note Registrar shall keep books for the registration of and for the registration of transfer of Notes as provided in this Resolution. The transfer of any Note may be registered only upon the books kept for the registration and registration of transfer of Notes upon surrender of such Note to the Note Registrar, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Note Registrar.

Upon any exchange or registration of transfer, the Authority shall execute and the Note Registrar shall authenticate and deliver in exchange for such Note a new Note or Notes, registered in the name of the transferee, of any denomination or denominations authorized by this Resolution in an aggregate principal amount equal to the principal amount of such Note surrendered, of the same maturity and bearing interest at the same rate.

In all cases in which Notes shall be exchanged or the transfer of Notes shall be registered hereunder, the Authority shall execute and the Note Registrar shall authenticate and deliver Notes within a commercially reasonable time, according to then prevailing industry standards, in accordance with the provisions of this Resolution. All Notes surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Note Registrar. The Authority or the Note Registrar may make a charge for every such exchange or registration of transfer of Notes sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to the owner of any Note for the privilege of exchanging or registering the transfer of Notes under the provisions of this Resolution.

## **SECTION 207. Ownership of Notes.**

The Authority, the Note Registrar, and any Paying Agents may deem and treat the person in whose name any Note is registered on the books of the Authority kept by the Note Registrar as the absolute owner of such Notes for the purpose of receiving payment of the principal of and premium, if any, and interest on, such Note and for all other purposes whatsoever, whether such Note be overdue and, to the extent permitted by law, neither the Authority, the Note Registrar nor any Paying Agents shall be affected by any notice to the contrary.

## **SECTION 208. Authorization of Notes.**

Subject to the provisions of the next paragraph, Notes of the Authority, in the aggregate principal amount not to exceed the principal amount authorized by the Appropriation Act, may be issued under and secured by this Resolution, subject to the conditions hereinafter provided in this Section 208, at any time for the purpose of making grants to local school boards and other eligible schools as contemplated by the Appropriation Act for the purpose of establishing a computer-based instructional and testing system for the Standards of Learning (SOL) and to develop the capability for high speed Internet connectivity at high schools followed by middle schools followed by elementary schools, and otherwise carrying out the purposes contemplated



by Item 146(C)(9)(g) of the Appropriation Act, as amended, and such other educational technology grant purposes that the General Assembly may subsequently identify in an appropriation act.

The maximum aggregate principal amount of Notes that the Authority may issue shall not exceed the amount specified in the Appropriation Act as it may be amended whether such amendment is accomplished directly by changing the Appropriation Act's language or by formula, supplement or any other means.

The Notes shall be dated, bear interest payable semi-annually on each Interest Payment Date of each year and mature on the Principal Payment Dates in the principal amounts, all as set forth in the Series Certificate.

The Notes shall be executed in authorized denominations as provided by this Resolution and delivered to the Note Registrar. The Authority hereby authorizes and directs the Note Registrar to authenticate and deliver the Notes to the Purchasers in accordance with the provisions of this Resolution but only upon payment to the Treasurer of the Authority of the purchase price of the Notes and the accrued interest thereon, if any.

Before such Notes shall be authenticated and delivered by the Note Registrar there shall be filed with the Treasurer of the Authority the following:

- (a) a signed copy of the Series Certificate;
- (b) a certificate, signed by the Chairman, stating that the Authority is not then in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Resolution or in the Enabling Act;
- (c) an opinion of the Attorney General or an Assistant Attorney General of the Commonwealth of Virginia stating that the signer is of the opinion that the issuance of such Notes has been duly authorized and that all conditions precedent to the delivery of such Notes have been fulfilled, and that no legislation that amends the provisions of the Enabling Act in a way that would adversely affect the power of the Authority to discharge the covenant in Section 704 has been enacted;
- (d) a copy, certified by the Secretary of the Authority, of the Memorandum of Understanding between the Department of Education and the Authority concerning the appropriations from the Literary Fund and the general fund of the Commonwealth by the General Assembly in respect of debt service on the Notes; and
- (e) a certificate, signed by the Secretary of Finance of the Commonwealth, that (i) the current Appropriation Act Provision contains an authorization to issue the Notes in an estimated maximum principal amount set forth in such certificate and (ii) a future Appropriation Act Provision or a Budget Bill contains (A) an appropriation from available moneys in the Literary Fund for the payment of debt service on the Notes

becoming due in such fiscal year(s) covered by such Appropriation Act Provision or Budget Bill and (B) a “sum sufficient appropriation,” from the general fund of the Commonwealth, to pay the difference between the appropriations for debt service on the Notes becoming due in such fiscal year(s) covered by such Appropriation Act Provision or Budget Bill and the available moneys in the Literary Fund.

For purpose of the foregoing certificate of the Secretary of Finance,

(i) “current Appropriation Act Provision” shall mean a provision contained in an appropriation act that has the force of law at the date of the certificate,

(ii) “future Appropriation Act Provision” shall mean a provision contained in an appropriation act that will have the force of law on a future date,

(iii) “Budget Bill” shall mean the bill or bills submitted by the Governor to the General Assembly (but not yet enacted into law) that would appropriate the public revenues of the Commonwealth for a biennium, or amend an Appropriation Act, as such bill or bills may exist on the date of the certificate, and

(iv) “sum sufficient appropriation” shall mean in the case of an Appropriation Act Provision or Budget Bill, the appropriation of amounts sufficient, whether the amounts are specified directly or indirectly or by formula or otherwise, that in the judgment of the Secretary of Finance are sufficient to cure any deficiency in the amounts received by the Authority from available moneys in the Literary Fund, when compared to the amounts appropriated for scheduled debt service on the Notes on any Interest Payment Date or Principal Payment Date, in each of the fiscal years covered by the Appropriation Act Provision or Budget Bill.

When the documents mentioned above in this Section 208 shall have been filed with the Treasurer of the Authority and when the Notes shall have been executed and authenticated as required by this Resolution, the Note Registrar shall deliver such Notes at one time to or upon the order of the Purchasers named in the Series Certificate mentioned in clause (a) hereof, but only upon payment to the Treasurer of the Authority of the purchase price of such Notes and the accrued interest, if any, thereon. The Treasurer of the Authority, the State Treasurer, and the Note Registrar shall be entitled to rely upon Series Certificate as to the names of the purchasers and the interest rate of each of such Notes and the amount of such purchase price.

The Treasurer of the Authority shall deposit to the credit of the Educational Technology Series VI Grant Fund an amount equal to the proceeds of the Notes (excluding any accrued interest).

The Treasurer of the Authority shall deposit to the credit of the Educational Technology Series VI Note Fund so much of the proceeds of the Notes as represents accrued interest on such Notes.

Costs and expenses of the issuance of the Notes will be paid directly from the Literary Fund.

#### **SECTION 209. Series Certificate.**

There is hereby delegated to the Treasurer or any Assistant Treasurer (each a “Delegate”) of the Authority, subject to the limitations contained herein, the power with respect to the Notes to determine and carry out the following:

(a) Sell the Notes at a public sale (such date of sale not to be later than June 30, 2006), by competitive bidding, at a price of not less than 99.50% of par to the bidder whose bid for the Notes provides the lowest “True” interest cost rate, not to exceed 5.00% per annum, to the Authority; and to publish a Notice of Sale and a summary thereof, in substantially the forms presented to the Board on the date of adoption by the Board of this Resolution;

(b) Determine the Dated Date, and fix the Interest Payment Dates and Principal Payment Dates of the Notes as scheduling and marketing circumstances may dictate;

(c) Determine the interest rate or rates on the Notes;

(d) Determine the aggregate principal amount of the Notes;

(e) Determine the principal amounts per maturity so that (i) the aggregate debt service due, net of accrued interest, in the fiscal year ending June 30, 2007 does not exceed the expected appropriation made by the General Assembly from the Literary Fund and (ii) the debt service due in each fiscal year thereafter is substantially equal or otherwise favorably structured, upon the advice of the Authority’s financial advisor; and

(f) Determine any other provisions deemed advisable by the Delegate of the Authority and not in conflict with the provisions of this Resolution.

Such Delegate shall execute a Series Certificate or Series Certificates evidencing determinations or other actions taken pursuant to the authority granted in the Resolution, and any such Series Certificate shall be conclusive evidence of the action or determination of such Delegate of the Authority as stated therein.

#### **SECTION 210. Official Statement.**

The distribution of the Preliminary Official Statement (the “Preliminary Official Statement”) in substantially the form presented at the meeting at which this Resolution is adopted, is hereby authorized. The use by the purchaser of the Notes for the purpose of making a bona fide public offering of the Notes, of the final Official Statement, dated the date of the sale and award, in substantially the form of the Preliminary Official Statement (the “Official Statement”), is hereby authorized, and the Chairman or Vice Chairman and the Treasurer or an

Assistant Treasurer are hereby authorized by and on behalf of the Authority to deem “final” the Preliminary Official Statement for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, approve the terms of and publish the Official Statement describing the Notes and sign and deliver the Official Statement to the purchaser of the Notes.

#### **SECTION 211. Mutilated, Destroyed, Stolen or Lost Notes.**

In case any Note secured hereby shall become mutilated or be destroyed, stolen or lost, the Authority shall cause to be executed, and the Note Registrar shall authenticate and deliver, a new Note of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Note or in lieu of and in substitution for such Note destroyed, stolen or lost, upon the owner’s paying the reasonable expenses and charges of the Authority and the Note Registrar in connection therewith and, in the case of a Note destroyed, stolen or lost, his filing with the Note Registrar evidence satisfactory to it and to the Authority that such Note was destroyed, stolen or lost, and as to his ownership thereof, and furnishing the Authority and the Note Registrar with indemnity satisfactory to each of them. The foregoing notwithstanding, the Authority shall not be required to issue a new Note in exchange or substitution for any Note that has matured, and the Authority’s only obligation in respect of such mutilated, destroyed, stolen or lost Note shall be to pay such Note on the maturity date.

Every Note issued pursuant to the provisions of this Section 211 in exchange or substitution for any Note that is mutilated, destroyed, stolen or lost shall constitute an additional contractual obligation of the Authority, whether the destroyed, stolen or lost Note shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits hereof equally and proportionately with any and all other Notes duly issued under this Resolution. All Notes shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, stolen or lost Notes, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

### **ARTICLE III**

#### **REDEMPTION OF NOTES.**

##### **SECTION 301. Redemption of Notes.**

The Notes issued under the provisions of this Resolution shall not be subject to redemption prior to their respective maturities.

## **ARTICLE IV**

### **CUSTODY AND APPLICATION OF PROCEEDS OF NOTES.**

#### **SECTION 401. Grant Fund.**

A special fund is hereby created and designated “Virginia Public School Authority Educational Technology Series VI Grant Fund” (hereinafter sometimes called the “Grant Fund”), to the credit of which such deposits shall be made as are required or permitted by the provisions of this Resolution, including Section 208.

The moneys in the Educational Technology Series VI Grant Fund shall be held by the State Treasurer in trust and, subject to the provisions of this Article, shall be applied for the purpose of making grants to local school boards and other eligible schools as contemplated by the Appropriation Act for the purpose of establishing a computer-based instructional and testing system for the Standards of Learning (SOL) to develop the capability for high speed Internet connectivity at high schools followed by middle schools followed by elementary schools, and otherwise carrying out the purposes contemplated by Item 146(C)(9)(g) of the Appropriation Act, as amended, and such other educational technology grant purposes that the General Assembly may subsequently identify in an appropriation act, and, pending such application, shall be subject to a lien and charge in favor of the owners of the Notes issued and outstanding under this Resolution and for the further security of such owners until paid out or transferred as herein provided. Disbursements from the Grant Fund shall be by submission of a request for reimbursement substantially in the form set forth in Exhibit B.

#### **SECTION 402. Payments From Grant Fund.**

All disbursements from the Grant Fund shall be subject to the provisions and restrictions set forth in this Article, and the Authority covenants that it will not cause or permit to be paid from the Grant Fund any sums except in accordance with such provisions and restrictions.

Disbursements from the Grant Fund shall be made for the purpose of making grants of money to local school boards and other eligible schools as contemplated by the Appropriation Act (“eligible schools”) for the purpose of establishing a computer-based instructional and testing system for the Standards of Learning (SOL) and to develop the capability for high speed Internet connectivity at high schools followed by middle schools followed by elementary schools, and otherwise carrying out the purposes contemplated by Item 146(C)(9)(g) of the Appropriation Act, as amended, and such other educational technology grant purposes that the General Assembly may subsequently identify in an appropriation act. The eligible schools entitled to receive grants are those which were determined by the Board of Education as of September 30, 2005, and the State Treasurer is hereby authorized to make grants to the eligible schools as so determined by the Board of Education. Notwithstanding the foregoing, the State Treasurer is hereby further authorized to make grants to other eligible school grantees, as so determined by the Board of Education, to effect such other educational technology grant purposes that the General Assembly may subsequently identify in an appropriation act. All the

eligible schools entitled to receive grants from the proceeds of the Notes have contracted with equipment vendors and/or contractors for purchase of equipment or construction of network facilities or expect to contract with such vendors and/or contractors in the near future. Therefore, the State Treasurer shall disburse the moneys to the credit of the Grant Fund to or upon the order of the Department of Education, or its authorized representative, upon requisitions therefor identifying the eligible school on behalf of which such requisition is submitted, identifying generally and stating the cost of the equipment being purchased and certifying such disbursement is being paid directly to the vendor of the equipment, or to the eligible school as reimbursement to the eligible school for such a payment, for the purchase of equipment or for the payment for construction of network facilities.

#### **SECTION 403. Transfers from the Grant Fund.**

(a) If, immediately prior to any Interest Payment Date, the State Treasurer shall determine that the cash and the value of the Investment Obligations credited to the Grant Fund exceed the amount required to make the grants contemplated by Section 402 and applicable law, the State Treasurer may apply all or any portion of such excess to the payment of interest coming due on such Interest Payment Date and for such purpose transfer such amount to the Note Fund.

(b) If at any time the State Treasurer shall determine that the cash and the value of Investment Obligations credited to the Grant Fund exceed the amount required to make the grants contemplated by Section 402 and that after any transfer(s) the State Treasurer has determined to make pursuant to subsection (a) of this Section 403, cash and Investment Obligations will still remain in the Grant Fund, the State Treasurer shall apply all of such excess, to the extent practicable, to the defeasance of Notes in accordance with Article XI and transfer the balance, if any, to the Note Fund to pay principal and interest coming due on the Notes.

(c) The State Treasurer shall not make any application of cash and Investment Obligations to the credit of the Grant Fund until the State Treasurer shall have first obtained an opinion of bond counsel to the Authority that the proposed application of such cash and Investment Obligations will not adversely affect the tax status of the Notes.

### **ARTICLE V**

#### **FUNDS.**

#### **SECTION 501. Note Fund.**

(a) A special fund is hereby created under this Resolution and designated the “Virginia Public School Authority Educational Technology Series VI Note Fund” (herein sometimes called the “Educational Technology Series VI Note Fund”).

The moneys in said Fund shall be held by the State Treasurer in trust and applied as hereinafter provided and, pending such application, shall be subject to a lien and charge in favor

of the owners of the Notes issued and outstanding under this Resolution and for the further security of such owners until paid out or transferred as herein provided.

(b) It shall be the duty of the State Treasurer to receive and deposit to the credit of the Educational Technology Series VI Note Fund, on or before each Interest Payment Date and Principal Payment Date, the amounts, if any, deposited pursuant to Section 208 or 403 of this Resolution, and the amount, if any, appropriated by the General Assembly of the Commonwealth from the Literary Fund, general fund of the Commonwealth or otherwise to pay the principal of and interest on the Notes.

The payments and deposits required pursuant to this Section 501 shall be cumulative, and the amount of any deficiency on any date shall be added to the amount otherwise required to be paid or deposited on each subsequent Interest Payment Date and Principal Payment Date until such time as such deficiency shall have been made up.

(c) If the Treasurer or an Assistant Treasurer of the Authority determines as of 10 days before the next applicable Interest Payment Date or Principal Payment Date for the Notes, that available moneys in the Literary Fund (as defined in Section 208 hereof) are less than the amount required to pay the debt service due on the Notes on such payment date, then the Treasurer or an Assistant Treasurer of the Authority (i) shall file a warrant with the State Treasurer requesting that an amount equal to such deficiency be made available to the Authority from the moneys appropriated by the General Assembly for such purpose, and (ii) shall deposit such moneys immediately upon receipt thereof into the Educational Technology Series VI Note Fund.

#### **SECTION 502. Application of Moneys in the Note Fund.**

Except as otherwise provided in this Resolution, moneys in the Educational Technology Series VI Note Fund shall be used solely for the payment of the principal of and premium, if any, and the interest on the Notes. The State Treasurer shall on each Interest Payment Date withdraw from such moneys and transfer to the Note Registrar or Paying Agent, who shall remit by mail (or by wire transfer if a registered owner is a securities depository) to each registered owner, the amounts required for paying the interest on such Notes on such date, and on each Principal Payment Date, the State Treasurer shall withdraw from such moneys and transfer to the Note Registrar or Paying Agent, who shall set aside in trust (or remit by wire transfer to any securities depository that is a registered owner), the amounts required for paying the principal of the Notes due on such date.

#### **SECTION 503. Moneys Held in Trust.**

All moneys that the State Treasurer shall have withdrawn from the Educational Technology Series VI Note Fund or shall have received from any other source and set aside or transferred to the Note Registrar or any Paying Agent for the purpose of paying any of the Notes hereby secured, either at the maturity thereof or by purchase or for the purpose of paying interest on the Notes, shall be held in trust for the owners thereof. Any moneys that are so set aside or transferred and that remain unclaimed by the owners of Notes for a period of three (3) years after

the date on which such Notes have become payable shall be paid to the Authority, or to such successor as may then be entitled by law to receive the same, and thereafter the owners of such Notes shall look only to the Authority, or to such successor, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the State Treasurer, the Note Registrar, and any Paying Agent shall have no responsibility with respect to such money.

## **ARTICLE VI**

### **DEPOSITORIES OF MONEY, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS.**

#### **SECTION 601. Security for Deposits.**

All money deposited with the State Treasurer or any Depository hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured by such Depository, for the benefit of the Authority and holders of the Notes, in the manner required and to the full extent permitted by the Virginia Security for Public Deposits Act (Chapter 44, Title 2.2, Code of Virginia, 1950, as amended), or any successor provision of law; provided, however, that it shall not be necessary for the Note Registrar or any Paying Agent to give security for the deposit of any money with it for the payment of the principal or the interest on any Notes issued hereunder, or for any Depository to give security for any money that shall be represented by Government Obligations or by Investment Obligations described in clauses (a)(ii) and (iii) of the definition of "Investment Obligations" in Section 101 of this Resolution purchased under the provisions of this Article as an investment of such money.

#### **SECTION 602. Investment of Money.**

Moneys held for the credit of all funds shall be continuously invested and reinvested by the Depository thereof at the direction of the Authority as specified or confirmed by the State Treasurer.

Moneys held for the credit of the Educational Technology Series VI Grant Fund and the Educational Technology Series VI Note Fund shall, as nearly as may be practicable, be invested and reinvested in Investment Obligations that shall mature, or that shall be subject to redemption at the option of the holder thereof, not later than the respective dates when the moneys held for the credit of said fund will be required for the purposes intended.

Investment Obligations so purchased shall be deemed at all times to be a part of the fund to which was credited the money with which they were purchased, and the interest accruing thereon and any profit realized or any loss resulting from the investment of money shall be credited to, or charged against, the respective fund. The State Treasurer and the Depositories shall sell at the best price obtainable or present for redemption or for payment any such Investment Obligations whenever it shall be necessary so to do in order to provide money to



make any payment or transfer of money from any such fund. The State Treasurer and the Depositories shall not be liable or responsible for any loss resulting from any such investment.

Whenever a payment or transfer of moneys between two or more of the funds established pursuant to Article V of this Resolution is permitted or required, such payment or transfer may be made in whole or in part by transfer of one or more Investment Obligations at a value determined in accordance with this Article, provided that the Investment Obligations are those in which moneys of the receiving fund could be invested at the date of such transfer.

For the purpose of determining the amount on deposit to the credit of any such fund or account, obligations in which money in such fund or account shall have been invested shall be valued at the amortized cost.

## **ARTICLE VII**

### **PARTICULAR COVENANTS.**

#### **SECTION 701. Payment of Principal and Interest.**

The Authority covenants that it will promptly pay the principal of and the interest on every Note issued under the provisions of this Resolution at the places, on the dates and in the manner provided herein and in said Notes, and the price required for the retirement of said Notes by purchase according to the true intent and meaning thereof, but solely from the moneys appropriated to the Authority from the Literary Fund for the purpose.

#### **SECTION 702. Covenant to Perform.**

The Authority shall faithfully perform at all times all of its covenants, undertakings and agreements contained in this Resolution and in any Note executed, authenticated and delivered hereunder. The Authority represents that it is duly authorized under the Constitution and laws of the Commonwealth of Virginia, particularly the Enabling Act, to issue the Notes authorized hereby and to adopt this Resolution and to pledge the appropriations received from the General Assembly in respect of debt service on the Notes, in the manner and to the extent herein set forth as security for the Notes; that all action on its part for the adoption of this Resolution has been duly and effectively taken. The Authority represents that the Notes in the hands of the owners thereof are and will be valid and binding limited obligations of the Authority according to their terms.

#### **SECTION 703. Covenant as to Records and Accounts.**

The Authority covenants that it will keep accurate records and accounts of the funds collected and of the application of such funds. Such records and accounts shall be open at all reasonable times to the inspection of the Noteholders and their agents and representatives.

#### **SECTION 704. Covenant to Seek Appropriations.**

(a) The Authority shall use its best efforts each legislative session to have (i) the Governor include in any biennial or any supplemental budget of the Commonwealth an amount equal to the principal and interest coming due on the Notes in the next biennium or fiscal year, as the case may be, and (ii) the General Assembly of the Commonwealth appropriate such amount from the Literary Fund for such purpose.

(b) In order to provide additional assurance of the timely payment of the debt service on the Notes, the Authority covenants that it will cause its Chairman, annually, on or before December 1, to make and deliver to the Governor and the Secretary of Finance, a certificate (i) setting forth an estimate of the total debt service coming due in each of the next two fiscal years on the Notes and (ii) requesting inclusion in the budget bill(s) to be presented by the Governor to the next regular session of the General Assembly an appropriation from the general fund of the Commonwealth of a sum sufficient to pay the difference between (A) debt service on the Notes becoming due in the fiscal year(s) covered by such bill(s) and (B) the amounts received by the Authority from available moneys in the Literary Fund (as defined in Section 208).

#### **SECTION 705. Covenant as to Secondary Market Disclosure.**

(a) **Purpose.** The continuing disclosure undertaking by the Authority in this Section 705 is being made for the benefit of the holders (defined below) of the Notes and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Authority acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures respecting the Authority that may be required under this Section 705.

(b) **Definitions.** In addition to the definitions elsewhere set forth in this Resolution, the following capitalized terms shall have the following meanings:

**“Annual Report”** shall mean any Annual Report provided by the Authority pursuant to, and as described in, subsections (c) and (d) of this Section 705.

**“Dissemination Agent”** shall mean the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with such Authority a written acceptance of such designation.

**“Fiscal Year”** shall mean the twelve-month period, at the end of which the Authority’s financial position and the results of its operations for the preceding twelve months are determined. Currently the Authority’s Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

**“[H]older”** shall mean, for purposes of this Section 705, any person who is a record owner or beneficial owner of a Note.

**“Listed Events”** shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule which are as follows:

principal and interest payment delinquencies

non-payment related defaults

unscheduled draws on debt service reserves reflecting financial difficulties

unscheduled draws on credit enhancements reflecting financial difficulties

substitution of credit or liquidity providers, or their failure to perform

adverse tax opinions or events affecting the tax-exempt status of the security

modifications to rights of security holders

bond calls

defeasances

release, substitution, or sale of property securing repayment of the securities

rating changes

**“MOP”** shall mean the Commonwealth.

**“National Repository”** shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

**“Participating Underwriter”** shall mean any of the original underwriters of the Authority’s Notes required to comply with the Rule in connection with the offering of such Notes.

**“Repository”** shall mean each National Repository and each State Repository.

**“Rule”** shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**“State Repository”** shall mean any public or private depository or entity designated by the State as a state depository for the purpose of the Rule.

**“Undertaking”** shall mean the continuing disclosure undertaking assumed by the Authority in this Section 705.

**(c) Provision of Annual Reports; Audited Financial Statements.**

(1) Not later than 10 months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2006 the Authority shall, or shall cause the Dissemination Agent (if different from the Authority) to, provide to each Repository an Annual Report which is consistent with the requirements of subsection (d) of this Section 705. Not later than 10 days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if applicable). In each case, the Annual Report (A) may be submitted as a single document or as separate documents comprising a package, (B) may cross-reference other information as provided in subsection (d) of this Section 705, and (C) shall include such financial statements as may be required by the Rule.

(2) The annual financial statements of the Authority shall be prepared on the basis of generally accepted accounting principles and will be audited by either the Auditor of Public Accounts or a firm of independent certified public accountants. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with the Repositories when they become publicly available.

(3) If the Authority fails to provide an Annual Report to the Repositories by the date required in clause (1), or to file its audited annual financial statements when available as described in clause (2), the Authority shall send an appropriate notice to the Municipal Securities Rulemaking Board and any State Repository in substantially the form attached hereto as Exhibit C.

**(d) Content of Annual Reports.** Each Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, the following information, all with a view toward assisting Participating Underwriters in complying with the Rule:

(1) The most current available information respecting appropriations made by the Virginia General Assembly to provide for the payment of debt service on the Notes; and

(2) The most current available information describing receipts and disbursements for the Literary Fund for the preceding Fiscal Year.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Authority, which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so incorporated by reference.

**(e) Reporting of Listed Events.** The Authority will provide in a timely manner to the Municipal Securities Rulemaking Board and to each State Repository, if any, notice of any of the Listed Events with respect to the Notes, if material.

(f) **Alternative Filing.** The Authority may, in lieu of filing with the Repository and each State Repository the Annual Reports and other notices referred to in Section (e), make such filings with DisclosureUSA, the central post office of the Municipal Advisory Council of Texas.

(g) **Dissemination Agent.** The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its Undertaking and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Authority shall be the Dissemination Agent.

(h) **Amendment.** Notwithstanding any other provision of this Resolution, the Authority may amend its Undertaking as set forth in this Section 705 if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws to the effect that such amendment is permitted or required by the Rule.

(i) **Additional Information.** Nothing in this Section 705 shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Section 705 or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Section 705. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Section 705, the Authority shall have no obligation under this Section 705 to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

(j) **Default.** Any person referred to in subsection (k) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to file its Annual Report or to give notice of a Listed Event. In addition, holders of not less than a majority in aggregate principal amount of Notes outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Continuing Disclosure Undertaking, or to enforce any other obligation of the Authority hereunder. A default under this Section 705 shall not be deemed an event of default under this Resolution or the Notes, and the sole remedy under this Section 705 in the event of any failure of the Authority to comply with its Undertaking shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

(k) **Beneficiaries.** This Undertaking shall inure solely to the benefit of the Authority, the Participating Underwriters, and holders from time to time of the Authority's Notes, and shall create no rights in any other person or entity.

(l) **Obligated Person.** The Authority has determined that the Commonwealth is an "obligated person", within the meaning of the Rule, that is or may be material to the Notes, as evidenced by its inclusion in the definition of MOP.

(m) **Termination.** The obligations of the Authority pursuant to its Undertaking shall terminate upon the earlier to occur of the legal defeasance or final retirement of all of the Notes.

#### **SECTION 706. Amendments to Section 705.**

In addition to the amendments authorized by Section 705(h) above and Article X, the Authority may, prior to the delivery of the Notes, amend its Undertaking to reflect any changes thereto requested by the Participating Underwriters or otherwise deemed by the Treasurer of the Authority to be in the best interests of the Authority and not inconsistent with the Rule, and Section 705 shall be deemed amended to the extent of any such amendments without further action by the Board of Commissioners of the Authority, anything in this Resolution to the contrary notwithstanding.

#### **SECTION 707. Tax Covenant.**

The Authority covenants to take all action, and to refrain from taking any action, necessary under the Internal Revenue Code of 1986, as amended, to ensure that interest on the Notes will remain excludable from gross income for federal income tax purposes to the same extent as it is excludable on the date of closing on the Notes.

### **ARTICLE VIII**

#### **REMEDIES.**

##### **SECTION 801. Events of Default.**

Each of the following events is hereby declared an “event of default”, that is to say: If

(a) payment of the principal of any of the Notes shall not be made when the same shall become due and payable, at maturity or otherwise; or

(b) payment of any installment of interest on any of the Notes shall not be made when the same shall become due and payable; or

(c) the Authority shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(d) any proceeding shall be instituted, with the consent or acquiescence of the Authority, for the purpose of effecting a composition between the Authority and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the funds of the Authority; or

(e) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Notes or in this

Resolution on the part of the Authority to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the owner of any of the Notes then outstanding.

#### **SECTION 802. Remedies.**

Upon the happening and continuance of any event of default specified in Section 801 of this Article, then and in every such case any Noteholder may proceed to protect and enforce its rights and the rights of the Noteholders under the laws of the Commonwealth of Virginia or under this Resolution by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as such Noteholder, being advised by counsel, shall deem most effectual to protect and enforce such rights.

#### **SECTION 803. Pro Rata Application of Funds.**

Anything in this Resolution to the contrary notwithstanding, if at any time the moneys in the Educational Technology Series VI Note Fund shall not be sufficient to pay the interest on or the principal of the Notes as the same shall become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

(a) If the principal of all such Notes shall not have become due and payable, all such moneys shall be applied

first: to the payment to the persons entitled thereto of all installments of interest then due and payable in the order in which such installments become due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Notes;

second: to the payment to persons entitled thereto of the unpaid principal of any of such Notes that shall have become due and payable, in the order of their due dates, with interest on the principal amount of such Notes at the respective rates specified therein from the respective dates upon which such Notes became due and payable, and, if the amount available shall not be sufficient to pay in full the principal of such Notes due and payable on any particular date, together with such interest, then to the payment first of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal, ratably, according to the

amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of such Notes, to the purchase and retirement of such Notes, all in accordance with the provisions of Article V of this Resolution.

(b) If the principal of all such Notes shall have become due and payable, all such moneys shall be applied

first: to the payment of the persons entitled thereto of all installments of interest due and payable on or prior to maturity, if any, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Notes, and then to the payment of any interest due and payable after maturity on such Notes, ratably, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Notes; and

second: to the payment of the principal of such Notes, ratably, to the persons entitled thereto, without preference or priority of any Note over any other Note.

Whenever moneys are to be applied by the State Treasurer pursuant to the provisions of this Section 803, such moneys shall be applied by the State Treasurer at such times, and from time to time, as the State Treasurer in her sole discretion shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available in the future for such application; the deposit of such moneys with the Note Registrar or any Paying Agent, or otherwise setting aside such moneys, in trust for the proper purpose shall constitute proper application by the State Treasurer; and the State Treasurer shall incur no liability whatsoever to the Authority, to any Noteholder or to any other person for any delay in applying any such moneys, so long as the State Treasurer acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the State Treasurer.

#### **SECTION 804. Effect of Discontinuation of Remedies.**

In case any proceeding taken by any Noteholder on account of any default shall have been discontinued or abandoned for any reason, then and in every such case the Authority and the Noteholders shall be restored to their former positions and rights hereunder, respectively, and



all rights, remedies, powers and duties of the Noteholders shall continue as though no such proceeding had been taken.

**SECTION 805. Limitation on Enforcement of Remedies.**

No owner of any of the Notes hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all owners of such outstanding Notes.

**SECTION 806. Remedies Cumulative and not Exclusive.**

No remedy herein conferred upon or reserved to the owners of the Notes is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder.

**SECTION 807. Delay not a Waiver.**

No delay or omission by any owner of the Notes to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Resolution to the Noteholders may be exercised from time to time and as often as may be deemed expedient.

**SECTION 808. Right to Enforce Payment of Notes Unimpaired.**

Nothing in this Article shall affect or impair the right of any owner to enforce the payment of the principal of and the interest on its Note or the obligation of the Authority to pay the principal of and the interest on each Note to the owner thereof at the time and place in said Note expressed.

**ARTICLE IX**

**EXECUTION OF INSTRUMENTS BY NOTEHOLDERS  
AND PROOF OF OWNERSHIP OF NOTES.**

**SECTION 901. Requirements for Instruments.**

Any request, direction, consent or other instrument in writing required or permitted by this Resolution to be signed or executed by Noteholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Noteholders or their attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Notes shall be sufficient for any purpose of this Resolution and shall be conclusive

with regard to any action taken by the Authority under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership such verification or affidavit shall also constitute sufficient proof of his authority.

(b) The ownership of Notes shall be proved by the registration books kept under the provisions of Section 206 of this Resolution.

#### **SECTION 902. Other Evidence, Binding Effect on Future Owners.**

Nothing contained in this Article shall be construed as limiting the Authority to such proof, it being intended that the Authority may accept any other evidence of the matters herein stated that it may deem sufficient. Any request or consent of the owner of any Note shall bind every future owner of the same Note in respect of anything done by the Authority in pursuance of such request or consent.

### **ARTICLE X**

#### **SUPPLEMENTAL RESOLUTIONS.**

##### **SECTION 1001. Supplemental Resolutions without Consent of Noteholders.**

The Authority, from time to time and at any time without the consent of Noteholders, may adopt such resolutions supplemental hereto as shall be consistent with the terms and provisions of this Resolution (which supplemental resolutions shall thereafter form a part hereof):

(a) to cure any ambiguity or formal defect or omission, or to correct or supplement any provision herein that may be inconsistent with any other provision herein, or

(b) to grant to or confer upon the Noteholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Noteholders or to appoint a trustee for the benefit of the Noteholders, or

(c) to add to the conditions, limitations and restrictions thereafter to be observed by the Authority under the provisions of this Resolution, including, but not limited to, additional requirements imposed by virtue of a change of law, or

(d) to add to the covenants and agreements of the Authority in this Resolution other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power herein reserved to or conferred upon the Authority, including, but not limited to, additional requirements imposed by virtue of a change of law, or

(e) to provide for registration by book-entry or any other method or to provide for the issuance, registration and exchange of coupon notes, or

(f) to make any other change that, in the opinion of the Authority (expressed in such resolution), would not materially adversely affect the security for the Notes.

#### **SECTION 1002. Modification of Resolutions with Consent of Noteholders.**

Subject to the terms and provisions contained in this Section 1002, and not otherwise, the owners of not less than a majority in aggregate principal amount of the Notes then outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption by the Board of such resolution or resolutions supplemental hereto as shall be deemed necessary or desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution or any supplemental resolution; provided, however, that nothing herein contained shall permit, or be construed as permitting, without the consent of Noteholders (a) an extension of the maturity of the principal of or the interest on any Note issued hereunder, or (b) a reduction in the principal amount of any Note or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of funds other than the liens and pledges created or permitted by this Resolution, or (d) a preference or priority of any Note or Notes over any other Note or Notes, or (e) a reduction in the aggregate principal amount of the Notes required for consent to such supplemental resolution. Nothing herein contained, however, shall be construed as making necessary the approval by the Noteholders of the adoption and acceptance of any supplemental resolution as authorized in Section 1001 hereof.

The Secretary of the Authority shall cause notice of the proposed adoption of any such supplemental resolution to be mailed, postage prepaid, to all owners of Notes at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the office of the State Treasurer for inspection by all Noteholders. The Authority shall not, however, be subject to any liability to any Noteholder by reason of its failure to mail the notice required by this Section 1002, and any such failure shall not affect the validity of such supplemental resolution when consented to and approved as provided in this Section 1002.

Whenever there shall be filed with the Secretary of the Authority an instrument or instruments in writing purporting to be executed by the holders of not less than a majority in aggregate principal amount of the Notes then outstanding, which instrument or instruments shall refer to the proposed supplemental resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form thereof referred to in such notice, thereupon, but not otherwise, the Board may adopt such supplemental resolution

substantially in such form, without liability or responsibility to any Noteholder, whether such Noteholder shall have consented thereto.

If the owners of not less than a majority in aggregate principal amount of the Notes outstanding at the time of the adoption of such supplemental resolution shall have consented to and approved the adoption thereof as herein provided, no Noteholder shall have any right to object to the adoption of such supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Board from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any supplemental resolution pursuant to the provisions of this Section 1002, this Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Authority and all Noteholders shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

#### **SECTION 1003. Supplemental Resolutions.**

Any supplemental resolution adopted and executed in accordance with the provisions of this Article shall thereafter form a part of this Resolution, and all of the terms and conditions contained in any such supplemental resolution as to any provision authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes. In case of the adoption of any supplemental resolution, express reference may be made thereto in the text of any Notes issued thereafter, if deemed necessary or desirable by the Board.

### **ARTICLE XI**

#### **DEFEASANCE.**

##### **SECTION 1101. Defeasance.**

When (a) the Notes or portions thereof, secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in this Resolution, and (b) the whole amount of the principal and the interest, so due and payable upon the Notes or portions thereof, shall be paid or if the State Treasurer, the Note Registrar or any Depository or Paying Agent shall hold sufficient moneys or non-callable Defeasance Obligations the principal of and the interest on which, when due and payable, will provide sufficient moneys to pay the principal of, and the interest on all Notes or portions thereof then outstanding to the maturity date or dates of such Notes, and (c) sufficient funds shall also have been provided or provision made for paying all other obligations payable hereunder by the Authority, then and in that case the right, title and interest of the Noteholders of such Notes being defeased in the Funds mentioned in this Resolution shall thereupon cease, determine and become void and, on demand of the Authority and upon being furnished with an opinion, in form and substance satisfactory to the State

Treasurer, of counsel approved by the State Treasurer, to the effect that all conditions precedent to the release of this Resolution have been satisfied, the State Treasurer shall release this Resolution and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority, any surplus in any and all balances remaining in all Funds, other than moneys held for the payment of Notes or portions thereof. Otherwise, this Resolution shall be, continue and remain in full force and effect; provided, that, in the event Defeasance Obligations shall be deposited with and held by the State Treasurer, the Note Registrar or any Depository or Paying Agent as hereinabove provided, (i) in addition to the requirements set forth in Article II of this Resolution, the Authority, within thirty (30) days after such moneys or Defeasance Obligations shall have been deposited with it, shall cause a notice signed by the Note Registrar to be mailed to all Noteholders of such Notes being defeased setting forth (a) the deposit of such moneys or Defeasance Obligations so held by it and (b) that this Resolution has been released in accordance with the provisions of this Section 1101, and (ii) the Note Registrar shall retain such rights, powers and privileges under this Resolution as may be necessary and convenient for the registration, transfer and exchange of Notes or portions thereof.

All moneys and Defeasance Obligations held by the State Treasurer, any Depository or Paying Agent or the Note Registrar pursuant to this Section 1101 shall be held in trust and applied to the payment, when due, of the obligations payable therewith.

## **ARTICLE XII**

### **MISCELLANEOUS PROVISIONS.**

#### **SECTION 1201. Effect of Dissolution of the Authority.**

In the event of the dissolution of the Authority, all of the covenants, stipulations, obligations and agreements contained in this Resolution by or in behalf of or for the benefit of the Authority shall bind or inure to the benefit of the successor or successors of the Authority from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the word "Authority" as used in this Resolution shall include such successor or successors. If for any reason the State Treasurer shall at any time advise the Authority that she as such State Treasurer will no longer perform the duties imposed upon her by the provision of this Resolution, she shall deliver to the Treasurer of the Authority all property, obligations and moneys held by her under the provisions of this Resolution and her duties under the provisions of this Resolution shall thereafter devolve upon and be performed by the Treasurer of the Authority or by any trustee or Depository appointed by the Authority.

#### **SECTION 1202. Successorship of Depository, Note Registrar and Paying Agent.**

(a) Any bank or trust company with or into which any Note Registrar, Depository or Paying Agent may be merged or consolidated, or to which the assets and business of such Note Registrar, Depository or Paying Agent may be sold, shall be deemed the successor of such Note

Registrar, Depository or Paying Agent for the purposes of this Resolution. If the position of any Note Registrar, Depository or Paying Agent shall become vacant for any reason, the Board, provided sufficient funds are available to pay all costs and expenses, if any, reasonably incurred by the Authority in connection therewith, shall appoint a bank or trust company having a combined capital surplus and undivided profits of not less than \$10,000,000 to fill such vacancy within thirty (30) days after the Authority receives notice of such vacancy.

(b) The Note Registrar shall give notice of each appointment of such successor by mailing written notice of such event by first class mail, postage prepaid, to all registered owners of the Notes at their addresses as they appear on the registration books. Neither the Authority nor the Notes Registrar, however, shall be subject to any liability to any Noteholder by reason of its failure to mail any such notice.

#### **SECTION 1203. Manner of Giving Notice.**

Any notice, demand, direction, request or other instrument authorized or required by this Resolution to be given to or filed with the Authority shall be deemed to have been sufficiently given or filed for all purposes of this Resolution if and when sent by overnight delivery or by registered mail, return receipt requested, to Virginia Public School Authority, c/o State Treasurer, Commonwealth of Virginia, 101 North 14<sup>th</sup> Street, James Monroe Building, 3<sup>rd</sup> Floor, Richmond, Virginia 23219.

All documents received by the Authority under the provisions of this Resolution, or photographic copies thereof, shall be retained in its possession, subject at all reasonable times to the inspection of any Noteholder and the agents and representatives thereof.

#### **SECTION 1204. Substitute Mailing.**

If, because of the temporary or permanent suspension of postal service, the Authority or the Note Registrar shall be unable to mail any notice required to be given by the provisions of this Resolution, the Authority or the Note Registrar shall give notice in such other manner as in the judgment of the Authority or the Note Registrar shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirement for the mailing thereof.

#### **SECTION 1205. Effect of Partial Invalidity.**

In case any one or more of the provisions of this Resolution or of the Notes issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution or of said Notes, but this Resolution and said Notes shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

#### **SECTION 1206. Effect of Covenants.**

All covenants, stipulations, obligations and agreements of the Authority contained in this Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent authorized by the Enabling Act and permitted by the Constitution of Virginia. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, employee or agent of the Authority or the Board in his individual capacity, and neither the members of the Board nor any officer of the Authority executing the Notes shall be liable personally on the Notes or be subject to any personal liability or accountability by reason of the issuance thereof. No member, officer, employee or agent of the Authority or the Board shall incur any personal liability in acting or proceeding or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Resolution and the Enabling Act.

#### **SECTION 1207. No Recourse Against Members, Officers or Employees of Authority or Board.**

No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Resolution; or in any Note hereby secured; or in any Resolution; or in any document or certification whatsoever; or under any judgment obtained against the Authority or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee or agent of the Board or any officer, agent or employee of the Authority, as such, of the Authority either directly or through the Board or otherwise, for the payment for or to, the Authority or any receiver of either of them, or for, or to, any owner or otherwise, of any sum that may be due and unpaid upon any such Note. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for, or to, the Authority or any receiver of either of them, or for, or to, any owner or otherwise, of any sum that may remain due and unpaid upon the Notes hereby secured or any of them, is hereby expressly waived and released as an express condition of, and in consideration for, the execution of this Resolution and the issuance of the Notes.

#### **SECTION 1208. Laws of the Commonwealth Shall Govern.**

This Resolution is adopted with the intent that the laws of the Commonwealth of Virginia shall govern its construction.

A Copy - Teste:

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Richard A. Davis,  
Assistant Secretary  
Virginia Public School Authority

**EXHIBIT A**

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE AUTHORITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

**FORM OF NOTE**

No. R- \_\_\_\_\_ \$ \_\_\_\_\_

United States of America  
Commonwealth of Virginia

**VIRGINIA PUBLIC SCHOOL AUTHORITY**  
**School Educational Technology Note Series VI**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Dated Date</u>	<u>CUSIP</u>
April 15, ____	_____	_____, 2006	

Registered Owner    CEDE & CO.

\_\_\_\_\_  
\_\_\_\_\_

Principal Amount \_\_\_\_\_ DOLLARS

Virginia Public School Authority (herein sometimes called the "Authority"), a public body corporate and an agency and instrumentality of the Commonwealth of Virginia, by the Board of Commissioners of the Virginia Public School Authority (herein sometimes called the "Board") as the governing body thereof, for value received, hereby promises to pay, from certain funds of the Authority (hereinafter called "Pledged Funds"), to the registered owner named above, or registered assigns or legal representative, on the maturity date set forth above, upon the presentation and surrender hereof at the office of the State Treasurer, in Richmond, Virginia, the principal amount set forth above in any coin or currency of the United States of America that on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, from funds of the Authority, interest on said principal amount from the date hereof or from the April 15 or October 15 next preceding the date of authentication to which interest shall have



been paid, unless such date of authentication is an April 15 or an October 15 to which interest shall have been paid, in which case from such date, at the interest rate per annum set forth above until payment of said principal amount, such interest to the maturity hereof being payable on October 15, 2006 and semiannually thereafter on the 15<sup>th</sup> days of April and October in each year in like coin or currency.

The interest so payable on any such interest payment date will be paid to the person in whose name this Note (or the previous Note or Notes evidencing the same debt as that evidenced by this Note) is registered at the close of business on the record date for such interest, which date shall be the last day (whether or not a business day) of the calendar month next preceding such interest payment date, by check or draft mailed or wire transfer to such person at his address as it appears on the registration books of the Authority.

The Notes are payable solely from moneys appropriated to the Authority from the Literary Fund and the general fund of the Commonwealth of Virginia for the purpose. This Note shall not be deemed to constitute a debt of the Commonwealth of Virginia or a pledge of the faith and credit of the Commonwealth of Virginia, but shall be payable from the funds pledged by the Authority. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or of any political subdivision thereof is, or shall be, pledged to the payment of the principal of or the interest on this Note.

This Note is one of a duly authorized series of notes (herein called the "Notes"), designated "School Educational Technology Notes Series VI", dated the Dated Date, and issued for the purpose of providing funds for making grants to local school boards and other eligible schools as contemplated by the Appropriation Act (as defined in the Resolution discussed below) for the purpose of establishing a computer-based instructional and testing system for the Standards of Learning (SOL) and to develop the capability for high speed Internet connectivity at high schools followed by middle schools followed by elementary schools, and otherwise carrying out the purposes contemplated by Item 146(C)(9)(g) of the Appropriation Act, as amended. The Notes aggregate \_\_\_\_\_ Dollars (\$\_\_\_\_\_) in principal amount and mature in five annual installments on April 15 in the years 2007 through 2011, inclusive.

All of the Notes are issued under and pursuant to a note resolution duly adopted by the Board on March 17, 2006 (said resolution, together with all resolutions supplemental thereto as therein permitted, being herein called the "Resolution"). Reference is hereby made to the Resolution for the provisions, among others, with respect to the custody and application of the proceeds of notes issued under the Resolution, the collection and disposition of funds, the funds charged with and pledged to the payment of the interest on and the principal of such notes, the nature and extent of the security, the terms and conditions on which the notes are or may be issued, the rights, duties and obligations of the Authority and the rights of the holders of such notes, and, by the acceptance of this Note, the holder hereof assents to all of the provisions of the Resolution.

This Note is issued and the Resolution was adopted under and pursuant to the Constitution and laws of the Commonwealth of Virginia, particularly Chapter 11, Title 22.1, Code of Virginia, 1950, as amended (herein called the "Enabling Act").

All notes issued under the Resolution are payable from the funds pledged by the Authority, including appropriations by the General Assembly of the Commonwealth from the Literary Fund and the general fund of the Commonwealth to pay debt service on the Notes.

The Notes are issuable as registered notes without coupons in denominations of \$5,000 or any whole multiple thereof. At the office of the State Treasurer, in Richmond, Virginia, acting as the Note Registrar, in the manner and subject to the limitations and conditions provided in the Resolution, Notes may be exchanged for an equal aggregate principal amount of Notes of the same series and maturity, of authorized denominations and bearing interest at the same rate.

The holder of this Note shall have no right to enforce the provisions of the Resolution, or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Resolution, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Resolution.

Modifications or alterations of the Resolution may be made only to the extent and in the circumstances permitted by the Resolution.

The registration of this Note may be transferred by the registered owner hereof in person or by his attorney or legal representative at the principal corporate trust office of the Note Registrar, but only in the manner and subject to the limitations and conditions provided in the Resolution, and upon surrender and cancellation of this Note. Upon any such registration of transfer the Authority shall execute, and said registrar shall deliver in exchange for this Note, a new registered Note or Notes without coupons, registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this Note, of the same series and maturity and bearing interest at the same rate.

This Note is issued with the intent that the laws of the Commonwealth of Virginia shall govern its construction.

All acts, conditions and things required by the Constitution and laws of the Commonwealth of Virginia and by the bylaws and the rules and regulations of the Authority to happen, exist and be performed precedent to and in the issuance of this Note and the adoption of the Resolution have happened, exist and have been performed as so required.

This Note shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Resolution until this Note shall have been authenticated by the execution by the Note Registrar of the certificate of authentication endorsed hereon.

**IN WITNESS WHEREOF**, Virginia Public School Authority, by the Board of Commissioners of the Virginia Public School Authority as the governing body thereof, has caused this Note to be executed with the facsimile signatures of the Chairman and the Secretary of said Authority, and a facsimile of the official seal of said Authority to be imprinted hereon, all as of the \_\_\_\_ day of \_\_\_\_\_, 2006.

[SEAL]

\_\_\_\_\_  
[SIGNATURE]  
Secretary of the  
Virginia Public School Authority

\_\_\_\_\_  
[SIGNATURE]  
Chairman of the  
Virginia Public School Authority

### **CERTIFICATE OF AUTHENTICATION**

This Note is one of the notes of the series designated herein and described in the within-mentioned Resolution.

State Treasurer of the Commonwealth of Virginia,  
as Registrar

By: \_\_\_\_\_  
Authorized Signature

Date of authentication: \_\_\_\_\_, 2006

## ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
[Please Print or Typewrite Name and Address of Transferee]

the within note, and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney to register the transfer of the within note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within note in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed\* by: \_\_\_\_\_

\*Signature[s] must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar which requirements will include membership or participation in STAMP or such other “signature guarantee program” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**EXHIBIT B**

**FORM OF REQUEST FOR REIMBURSEMENT**

**EXHIBIT C**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT  
[ANNUAL AUDITED FINANCIAL STATEMENTS]**

\$ \_\_, \_\_, 000

VIRGINIA PUBLIC SCHOOL AUTHORITY  
School Educational Technology Notes Series VI  
CUSIP Numbers: \_\_\_\_\_

Dated: \_\_\_\_\_, 2006

NOTICE IS HEREBY GIVEN that the Virginia Public School Authority has not provided an Annual Report [its Annual Audited Financial Statements] as required by Section 705 of the School Educational Technology Note Resolution, which was adopted on March 17, 2006, by the Board of Commissioners of the Virginia Public School Authority and which authorized the Notes described above. [The Authority anticipates that the Annual Report [its Annual Audited Financial Statements] will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

VIRGINIA PUBLIC SCHOOL AUTHORITY

By \_\_\_\_\_

# **VIRGINIA PUBLIC SCHOOL AUTHORITY**

## **Variable Rate Debt Policy of the Authority**

### **LEGAL AUTHORITY**

This policy is established pursuant to Chapter 11 (§22.1-162 et seq.) and §2.2-4517 of the Code of Virginia.

### **PURPOSE**

Variable rate debt and interest rate swaps can be valuable tools for the Authority to use on behalf of its customers by reducing interest costs, increasing flexibility and, when applicable, managing its liabilities. However, there are risks to be considered and this policy shall be used as guidance by the Authority in determining whether it may be appropriate to engage in interest rate management techniques and, if so, how to manage its interest rate exposure.

### **APPLICABILITY**

This policy shall apply to all Authority financings for which variable rate securities and/or interest rate swaps are used to reduce borrowing costs and/or diversify interest rate exposure.

### **FINDINGS**

There are numerous reasons for an issuer to consider the use of variable rate securities and/or interest rate swaps. Chief among them is the opportunity to reduce borrowing costs. Other reasons may include:

- ◆ Flexibility in principal amortization and/or prepayment
- ◆ Diversification of investors (e.g., money market funds)
- ◆ Diversification of liabilities – a portfolio approach to debt management
- ◆ Asset and Liability Management – match debt to investment portfolio
- ◆ Achievement of refunding savings not otherwise attainable

The Authority's primary objectives in utilizing such instruments are twofold; 1) reduction of borrowing costs; and 2) diversification of interest rate exposure.

The Authority's Financial Advisor has articulated the benefits of reducing borrowing costs. However, the Authority does not necessarily propose to pursue a policy of a reduction of borrowing costs without consideration of the secondary objective of portfolio diversification. A portfolio approach to debt management includes the reduction in exposure to any one type of interest rate movement or yield curve change that would create actual or opportunity cost dissavings.

In the consideration of anticipated lower borrowing costs, the Authority will consider (i) the expected annual Net Present Value (NPV) savings over the expected life of the issue (including anticipated fees and other costs), (ii) circumstances under which the issue reaches the "breakeven" point (i.e., the rate at which the cost of a variable issue will

exceed the cost of a comparable fixed rate issue) and, (iii) whether undertaking the interest rate exposure is appropriate given the expected savings.

## **PROCEDURES FOR AUTHORITY VARIABLE RATE FINANCINGS**

### **Risks**

The Authority recognizes that variable rate exposure carries inherent risks not present in traditional fixed-rate transactions. Among them are:

- ◆ Interest rate risk – the risk that interest rates will, on a sustained basis, rise above levels that would have been set on the date of issuance had the issue been issued at a fixed rate
- ◆ Liquidity risk – the risk of having to pay a higher interest rate to the liquidity provider (or, if self-liquidity, of having to draw against current funds) in the event of a failed remarketing
- ◆ Rollover risk – the risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of the contract period
- ◆ To the extent that the variable exposure is achieved through interest rate swaps, additional risks are imposed.

### **Exposure Limits**

The Authority determines that variable rate exposure will not exceed 20% of its outstanding debt. This calculation will be made prior to incurring any additional variable rate exposure and, at a minimum, annually at the end of each fiscal year. The following will be included in the calculation:

- ◆ the outstanding principal amount of debt issued or outstanding as direct variable rate bonds, auction rate securities and commercial paper, or any other instrument for which the next interest reset date is less than 365 days, and
- ◆ the notional amount subject to any exchange contract on which the Authority will pay a variable rate of interest (e.g., a fixed-to-floating interest rate swap),

LESS the amount of direct variable rate debt for which variable rate exposure has been eliminated or reduced by interest rate exchange agreements (swaps) or interest rate caps, collars or other hedging mechanisms, for the duration of the hedging agreement (e.g., a five-year cap only excludes those five years of exposure).

Therefore, the calculation will NOT include the principal amount of direct variable interest rate debt that is the subject of an exchange contract (swap), with the same notional amount as the principal amount of the variable rate debt, on which the Authority will receive a variable rate of interest, when the intention is the creation of synthetic fixed rate debt.

### **Variable Rate Instruments**

Variable rate debt may include Auction Rate Securities, Variable Rate Demand Bonds (VRDBs), commercial paper or synthetic floating rate debt (i.e., fixed-to-floating interest rate swaps). Decisions about which mode of variable rate debt to incur at any point in

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time will be based upon the relative costs, and the benefits and risks to the Authority and its customers. Factors that will be considered will include:

- ◆ Cost and availability of liquidity facilities (i.e., standby bond purchase agreements, lines of credit, etc. necessary for the issuance of VRDBs and commercial paper)
- ◆ Cost to implement and manage the program on an on-going basis
- ◆ Ability to convert to a different mode
- ◆ Demand in the market
- ◆ Degree of exposure to risks beyond interest rate exposure (e.g., counterparty risk, termination risk, basis risk, liquidity/remarketing risk)

### **Structuring the Transaction**

VRDBs and Auction Rate Securities will be structured so as to provide for principal amortization at least annually (except as may be delayed during construction periods or to coincide with existing bond amortization). Requests for debt service appropriations will be at an assumed fixed rate of interest, which will be evaluated and adjusted as required to reflect current projected market rates. The documents may require that the appropriation be made at the maximum direct variable interest rate.

The Authority's variable rate exposure may be hedged by the use of caps, collars or swaps.

In the case of swaps, a standard market index will be employed (e.g., BMA, LIBOR). See Section X for additional Swap guidelines.

Liquidity may be provided through a direct-pay or stand-by bond purchase agreement, line of credit, letter of credit, or self-liquidity (only as may be determined by the State Treasurer), or other method as may be suitable given the underlying bond rating and the structure of the transaction.

Bank liquidity facilities will carry a minimum short-term rating of A-1/P-1 unless the transaction is collateralized (in the case of swaps). In the event any liquidity facilities are downgraded below minimum limits, the Authority will endeavor to replace the liquidity facility within a reasonable time period.

The Authority will consider other factors beyond credit rating when selecting liquidity facilities, including:

- ◆ Trading values (market acceptance of the provider)
- ◆ Cost (including the interest rate to be charged in the event of a draw against the facility)
- ◆ Term of coverage offered
- ◆ Documentation requirements
- ◆ Flexibility

### **Selection of Professionals**

The Authority will select any professionals required in undertaking a variable rate transaction (including dealers, remarketing agents, liquidity facilities, auction agents, etc.) through a competitive process in accordance with state procurement policy. The

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Authority may utilize any pooled procurements to which it is eligible (e.g., the Treasury Board/Department of the Treasury may procure a blanket liquidity facility available to certain Commonwealth credits) that will achieve cost reductions.

### **Action by the Authority**

The Authority will evidence its approval of the issuance of variable rate obligations, interest rate exchange agreements, swaps or other ancillary contracts by resolution.

### **On-going Monitoring and Reporting**

As often as necessary, but no less than twice each year, staff to the authority will analyze the historical and projected performance of any variable rate or interest rate swap exposure and present the findings and recommendations to the State Treasurer. The Authority will be presented with the analysis at its next regularly scheduled board meeting. Such recommendations will include a determination as to whether the transaction is performing in a satisfactory manner and, if not, a recommended exit strategy.

## **PROCEDURES FOR AUTHORITY ANCILLARY CONTRACTS**

This section sets the Authority's policy as it relates to ancillary contracts that may be entered into simultaneously with or subsequently to a fixed or variable rate transaction.

1. ***Permitted Instruments*** - The Authority may enter into:
  - ◆ Interest rate swap agreements, fixed-to-floating or floating-to-fixed
  - ◆ Interest rate caps, collars or floors.

The Authority will not enter into ancillary contracts, including basis swaps, for speculative purposes.

2. ***Risks*** - The Authority recognizes that these transactions carry the additional risks, which are defined herein:
  - ◆ Counterparty risk - The risk that the other party in the derivative transaction fails to meet its obligations under the contract.
  - ◆ Rollover risk - The risk that a swap contract is not coterminous with the related bonds. In the case of the synthetic fixed rate debt structure, rollover risk means that the issuer would need to re-hedge its variable rate debt exposure upon swap maturity and incur re-hedging costs.
  - ◆ Basis risk - Movement in the underlying variable rate indices may not be perfectly in tandem, creating a cost differential that could result in a net cash outflow from the issuer. Also the mismatch that can occur in a swap when both sides are using floating rates but different indices.
  - ◆ Tax event risk - The risk stemming from changes in marginal income tax rates due to the tax code's impact on the trading value of tax-exempt bonds (a form of basis risk).

- ◆ Amortization risk - The cost to the issuer of servicing debt or honoring swap payments due to a mismatch between bonds and the notional amount of swap outstanding.
  - ◆ Termination risk -The risk that a swap will be terminated by the counterparty before maturity that could require the issuer to make a cash termination payment to the counterparty. Note: the issuer could have a termination payment even if the termination results from counterparty default.
3. **Policy** - Swaps, interest rate exchange agreements, or other ancillary contracts (e.g., caps, collars, floors) will not be entered into for speculative purposes. The Authority may authorize entering into a swap if it is reasonably determined that the transaction is expected to:
- ◆ Achieve an overall lower cost of funds (net of fees) compared to a product available on the bond market
  - ◆ Prudently hedge interest rate risk
  - ◆ Synthetically advance refund bond issues
  - ◆ Increase flexibility
  - ◆ Achieve appropriate asset/liability match

In connection with any swap, the Authority and its financial advisor will review the proposed transaction and undertake to do the following:

- ◆ Identify the potential benefits and potential risks
  - ◆ Conduct an independent analysis of the fair market value of the proposed agreement
  - ◆ Determine or estimate the costs of remarketing, credit enhancement, liquidity fees, ratings fees and other on-going costs
  - ◆ Employ interest rate swaps to advance refund synthetically an issue (i) for measurably greater projected savings than the savings estimated to result from traditional refunding bonds or, (ii) where the refunding transaction could not be achieved through traditional means.
  - ◆ Assess counterparty exposure - The documents may require that the appropriation be made at the maximum direct variable interest rate.
4. **Documentation** – The Authority will use standard ISDA swap documents. Authority swap documentation should include the following:
- ◆ Swap Term – The Authority will determine the term of any swap agreement on a case-by-case basis with due consideration of all relevant factors including optional redemption/call dates of any related debt issue. No swap agreement will extend beyond the final maturity date of the related bonds.
  - ◆ Provisions in the event of downgrade of either the related debt (collateral or replacement of the credit enhancer or liquidity provider) or the swap counterparty (collateral, replacement or termination). The specific indebtedness related to a credit event should be narrowly defined.
  - ◆ Authorizing resolution will include a delegation provision as detailed below in item 8 - Delegation/Ongoing Management.
  - ◆ Swap agreements entered into in connection with the issuance of bonds will be contingent and not become effective unless and until the related bonds have been delivered.

## 5. **Counterparties**

- ◆ Selection – A competitive bid process will be used to select swap counterparties unless the complexity, size or needed proprietary information warrants otherwise.
- ◆ Qualifications – Qualified counterparties will have (i) demonstrated experience in successfully executing interest rate exchange contracts with other governmental entities and, (ii) a credit rating by at least two nationally recognized rating agencies in the AA category, or its payments are unconditionally guaranteed by an entity with credit ratings meeting these criteria. The Authority may utilize a counterparty that does not satisfy the rating criteria provided that the counterparty posts and maintains collateral as set out below.
- ◆ Collateral - Collateral will be in the form of USD cash, US Treasury securities, or agency securities guaranteed by the Treasury, at a level of at least 100% of the net market value of the exchange agreement, taking into account the collateral duration. Collateral will be maintained with a mutually agreeable third party or trustee, and will be marked to market by the agent or trustee daily. Collateral will be provided in a manner satisfactory to the Authority so that its interests are (i) protected, (ii) not a matter of preference, and (iii) not subject to stay in the event of bankruptcy of the counterparty.
- ◆ Counterparty Exposure/Diversification – No single counterparty (or guarantor thereof) will carry more than 15% of the Authority's computed swap exposure, or \$100 million, whichever is less. In determining counterparty exposure, consideration may be given to Commonwealth exposure to the same corporate entities through other financial arrangements. In the event the Authority deems it desirable, exposure may exceed the limit, provided the excess amount is fully collateralized.

## 6. **Termination/Transfer** – All swap transactions will allow the Authority the option to terminate the swap agreement at any time over the term of the agreement. Exercising the right to terminate should produce a benefit to the Authority or the Commonwealth (e.g., through the receipt of payment from the counterparty, cost or risk avoidance or ability to convert to a more beneficial arrangement).

## 7. **Reporting** – A written report providing the status of all interest rate swap agreements will be provided to the State Treasurer/Treasury Board by the Authority for any appropriation-supported debt. The report may be prepared by the Authority, the financial advisor, swap counterparties, and/or swap advisor on a quarterly basis and will include:

- ◆ A description of all outstanding interest rate swap agreements, including related bond series, type of swap, rates paid and received by the Authority, total notional amount, average life, and remaining term
- ◆ Current market value of the swap agreement
- ◆ Highlights of all material changes to the swap agreements or new agreements entered into since the last report
- ◆ Termination exposure under each swap agreement
- ◆ Credit rating of each counterparty
- ◆ Summary of terminated or expired agreements
- ◆ Any other reporting information necessary for compliance with the Financial Accounting Standards Board (FASB) Statement 133.

8. ***Delegation/Ongoing Management*** – The Authority will actively manage its swap program to maximize benefits and minimize risks. The Authority delegates to the State Treasurer the authority to (i) terminate, (ii) require posting of additional collateral, and (iii) otherwise act on behalf of the Authority in the event a situation arises which, in the sole discretion of the State Treasurer, warrants immediate action to mitigate, limit or eliminate risk to the Authority or the Commonwealth.

## **DEFINITIONS**

Amortization risk	The cost to the issuer of servicing debt or honoring swap payments due to a mismatch between bonds and the notional amount of swap outstanding.
Auction Rate Securities	("ARS") Long-term, variable-rate bonds tied to short-term interest rates. Interest rates are reset through a modified Dutch auction process (typically every 7, 28, or 35 days) where securities are sold at the highest price at which sufficient bids are received to sell all the securities offered. ARS trade at par and are callable on any interest payment date. They do not have a put feature and therefore do not require a liquidity facility.
Basis risk	Movement in the underlying variable rate indices may not be perfectly in tandem, creating a cost differential that could result in a net cash outflow from the issuer. Also the mismatch that can occur in a swap when both sides are using floating rates but different indices.
Basis swap	A swap agreement in which the issuer pays an amount based on one index (e.g., BMA) while receiving an amount based on another index (e.g., LIBOR), plus a spread. The transaction is typically premised on the maintenance of the average of historical ratios between BMA and LIBOR.
BMA Index	The Bond Market Association Municipal Swap Index is the principal benchmark for the floating rate payments for tax-exempt issuers. The index is a national rate based on a market basket of high-grade, seven-day tax-exempt variable rate bond issues.
Counterparty	The financial institution with which the issuer enters an interest rate exchange agreement.
Counterparty risk	The risk that the other party in the derivative transaction fails to meet its obligations under the contract.
Derivative	A financial transaction "derived" from an underlying asset, debt, index or reference rate.
Direct Pay Letter of Credit	Pays the investor with cash directly rather than only upon a failure of the account party or its agent to pay as may occur in a failed remarketing at the direction of the state (i.e., as opposed to "stand-by" LOC).
Hedge	A transaction entered into to reduce exposure to market fluctuations.
Interest rate swap	A transaction in which two parties agree to exchange future net cash flows based on predetermined interest rate indices calculated on an agreed notional amount. The swap is not a debt instrument of the issuer; rather, it is a contract between the issuer and the counterparty. There is no exchange of principal.
ISDA	International Swap Dealers Association.
ISDA Master Agreement	The standardized master agreement for all swaps between the Issuer and the dealer that identifies the definitions and terms governing the

	swap transaction.
Liquidity Facility	The contract of a bank or other financial firm to provide funds(i.e., buy the bonds) in the event that holders tender bonds back to the issuer or its agent and the bonds cannot be successfully remarketed.
Long-dated swap	A swap with a term of more than ten years. Often used in the municipal market, as issuers often prefer to use a hedge that matches the maturity of the underlying debt or investment.
LIBOR	The principal benchmark for floating rate payments for taxable issuers. The London Inter Bank Offer Rate is calculated as the average interest rate on Eurodollars traded between banks in London and can vary depending upon maturity (e.g., one month or six months).
Mark-to-market	A calculation of the value of a financial instrument (like an interest rate swap) based on the current market rates or prices of the underlying index (i.e., the variable on which the derivative is based).
Notional Amount	Principal amount on which exchange contract interest is calculated.
Remarketing Agent	An underwriting firm selected to remarket periodically to new investors VRDBs put by their holders to the issuer or its agent.
Rollover risk	<p>The circumstance that the expiration date of a swap agreement is not coterminous with the final maturity of the related bonds. In the case of the synthetic fixed rate debt structure, rollover risk means that the issuer would need to re-hedge its variable rate debt exposure upon expiration of the swap agreement and incur re-hedging costs.</p> <p>In the case of a liquidity facility, the risk of being unable to obtain a suitable replacement liquidity facility at a reasonable price upon expiration or termination of a contract period.</p>
Standby Letter of Credit	Any facility where bank or other provider stands ready to provide funds as and when needed (as opposed to a “direct pay” LOC).
Swap	A derivative that alters the cash flows of a debt obligation. An issuer’s exposure to increasing interest rates arising from variable-rate debt may be hedged through a swap.
Swaption	(Known also as “swap option”) A derivative that grants one counterparty the option to begin, cancel or extend a swap.
Tax event risk	The risk stemming from changes in marginal income tax rates due to the tax code’s impact on the trading value of tax-exempt bonds (a form of basis risk).
Termination risk	The risk that a swap will be terminated by the counterparty before maturity and therefore could require the issuer to make a cash termination payment to the counterparty. Note: the issuer could have a termination payment even if the termination results from counterparty default.
VRDB	Variable rate demand bonds. A long-term bond for which the interest rate is reset periodically through a remarketing process. Bondholders have the option to “put” or “tender” the bond back to the issuer at interest reset dates. Put feature makes VRDBs an eligible investment for money market funds. Also requires liquidity facility to pay tendering holders in case of failed remarketing.

### **AMENDMENTS TO POLICY**

The Authority may from time to time issue amendments to this Policy.

### **EFFECTIVE DATE**

The requirements and procedures established by this Policy are effective immediately upon adoption by the Authority.

Adopted March 17, 2006